REPORT OF THE SPECIAL INTERIM COMMITTEE ON THE EARNINGS TAX & EVALUATION OF PROPERTY TAXES

KANSAS CITY & ST LOUIS
October / November 2023

CHAIRMAN: Jim Murphy
VICE-CHAIR: Ben Baker
RANKING MINORITY: Steve Butz

January 3, 2024

Dean Plocher, Speaker
Missouri House of Representatives
State Capitol Building
Jefferson City, MO 65101

Dear Mr. Speaker,

The Special Interim Committee on the Earnings Tax & Evaluation of Property Taxes has met, deliberated, and is prepared to offer recommendations. The below listed Committee members are pleased to submit the attached report:

Chairman Murphy

Vice-Chairman Baker

Ranking Minority Member Butz

Representative McGirl

Representative Lovasco

Representative Nurrenbern

Representative Anderson

Representative Hausman

Representative Keathley

Sincerely,

Chairman Jim Murphy

TABLE OF CONTENTS

INTRODUCTION

While the earnings tax in St Louis and Kansas City has maintained local support over the years, it is clear that certain reforms need to be taken. As a result, the Speaker has tasked this Special Interim Committee with identifying the most direct and meaningful ways to make the earnings tax more effective, to ensure that its reach is limited to appropriate taxpayers, and in some cases, to amend the structure of the earnings tax itself.

The Speaker has also directed the Special Interim Committee to examine the manner in which residential real property is assessed in the State of Missouri, and how various constitutional provisions effect the way in which such assessments are conducted.

The following Report summarizes the findings and recommendations put forward by the Special Interim Committee.

St Louis & Kansas City Earnings Tax

In addition to state and federal income taxes, seventeen states (and the District of Columbia) allow political subdivisions (such as cities, counties, and municipalities) to impose their own individual income tax. In the State of Missouri, such an earnings tax is statutorily granted to the City of St Louis and Kansas City.

Beginning in 2011, the Missouri General Assembly made the continuation of the earnings tax in St Louis and Kansas City dependent upon voter approval every five years. In each of the elections held thereafter, a healthy majority of voters in both cities have reapproved the tax.

However, a number of developments in recent years have made reliance upon the city earnings tax questionable. Such developments would include St Louis and Kansas City local court decisions about the refunding of taxes paid by those who work remotely, a loss of population, and decreasing economic activity.

The Committee's aim is to learn more about the impact that these measures have had on both cities, and determine solutions that might alleviate some of the difficult issues that St Louis and Kansas City have experienced.

Residential Real Property Assessment

In the State of Missouri, both constitutional and statutory law dictate the classifications and formulas used to assess the value in true money of residential real property. Current law provides that County Assessors shall determine the assessed values of all residential real property as of January 1st of each odd-numbered year. That assessed value is placed on the real property for the next even-numbered year. In the event that a taxpayer wishes to dispute the assessed value of their home, they may pray for relief in front of the local Board of Equalization.

However, the process by which local assessors attach value to real estate has given rise to a number of concerns, especially when it involves the amount of time that both assessors and homeowners have to reach accurate valuations. This concern becomes even more challenging when political subdivisions within St Louis and Kansas City seek to increase local taxation based upon the anticipated revenue those assessed properties will bring.

The Committee wishes to understand the current state of such assessment procedures, and the effects they might have on local residents. Through these discussions, it is hoped that the Committee may offer useful recommendations which seek to resolve such pressing matters.

SUMMARY OF JEFFERSON CITY HEARING

On September 12, 2023, the Special Interim Committee on the Earnings Tax and Real Property Tax met for its initial hearing. The following individuals provided public testimony before the Committee:

David Stokes	Show-Me Institute
Jimmy R. Thwing	
William J Engel	
Gregory FX Daly	St Louis Collector of Revenue
Marc Stoff	Chief of Staff, St Louis Collector of Revenue
Mark Milton	
Tammy Queen	Director of Finance, City of Kansas City

PROPONENTS OF THE EARNING TAX

Testimony in support of the city earnings tax indicated that reducing or removing the earnings tax would result in long term harm to the entire state of Missouri. For example, the earnings tax is currently the largest source of general revenue for the City of St Louis, which in turn funds the police and fire departments, corrections and juvenile detention centers, the circuit court, the circuit attorney, and city maintenance. Should the earnings tax be reduced or removed, supporters say that valuable services related to public safety and general welfare will be severely hampered.

The Committee received testimony in support of the earnings tax from St Louis Collector of Revenue Gregory FX Daly and Kansas City Director of Finance Tammy Queen. Both representatives made clear that continuation of the earnings tax is imperative in order for their respective cites to maintain essential services, and that removal of the earnings tax would result in large increases in other sources of revenue, such as personal property tax, real property tax, and other fees.

OPPONENT OF THE EARNING TAX

Testimony in opposition to the city earnings tax indicated that the earnings tax is regressive, in that the imposition of the tax tends to negatively impact low-income taxpayers. In addition, opponents state that the earnings tax gives counties surrounding St Louis and Kansas City a competitive advantage, because the very existence of the tax tends to drive businesses elsewhere (including businesses that currently exist in St Louis or Kansas City, and businesses that are contemplating a relocation to St Louis or Kansas City).

Opponents further state that the earnings tax places an undue burden upon those who live and/or work outside of St Louis and Kansas City, but who are nevertheless subject to the tax. Opponents point to the fact that these taxpayers make little to no use of the city's services (fire, police, roads, etc.), and yet are still required to pay the very tax that funds those services. Under such circumstances, this group of taxpayers are deprived of the ability to voice their approval or disapproval of the earnings tax, because they are not qualified to vote in any election in which the earnings tax is brought up for reinstatement.

The Committee received testimony in opposition from Attorney Mark Milton of St Louis, who provided an update of the lawsuit filed against the City of St Louis in which a demand by remote workers for refunds of individual earnings tax was initially denied by the city (starting in 2020). The court ruled in January 2023 that refunds were proper. The judges' opinion was based largely on the fact that the City of St Louis had made recent changes to the manner in which refunds were to be requested, but had failed to follow formal the normal rule-making processes when pursuing those changes, thus depriving affected taxpayers the ability to voice their concerns.

SUMMARY OF ST LOUIS HEARING

On October 30, 2023, the Special Interim Committee on the Earnings Tax and Real Property Tax met in St Louis. The following individuals provided public testimony before the Committee:

Byron Keelin	Freedom Principle MO
Kirk Hilzinger	
Howard J. Wall	Show-Me Institute
Paul Berry III	
Arnie Dienoff	
Denis Beganovic	
Onesimo Sandoval	St Louis University
Jake Zimmerman	St Louis County Assessor
Mark Harder	
Michael Dauphin	St Louis City Assessor
Paul W. Payne	
Robert Mahacek	
Tim Archibald	

PROPONENTS OF THE ST LOUIS CITY EARNINGS TAX

Testimony in support of the city earnings tax indicated that revenue derived from the earnings tax provides funding for a broad range of services offered by the City of St Louis (beyond that which is commonly cited, such as police, fire, and health). Those services would include: public safety at major sporting events (at such venues as Busch Stadium, Dome at America's Center, Enterprise Center, and CityPark Stadium), and maintenance and upkeep for popular attractions (such as Forest Park, Zoo, Art Museum, Science Center, and Botanical Gardens).

In addition, supporters state that with projected growth rates (measured over the next three, five, and ten years), the earnings tax will provide a more consistent, long-term stream of revenue than either property or sales taxes. Any attempt to raise existing property or sales taxes will therefore

not make up the shortfall (in the event that the earnings tax is removed and reduced). This in turn could lead to: the City of St Louis borrowing funds to cover necessary expenses and services (the result of which would present credit risks); a negative impact on existing TIF developments; and an exacerbation of present and continuing budget challenges.

OPPONENTS OF THE ST LOUIS CITY EARNINGS TAX

Testimony in opposition to the city earnings tax indicated that while metropolitan areas do need revenue in order to provide basic services, the imposition of a city earnings tax invariably leads to diminishing returns. This phenomenon can be seen in the taxation of real estate (resulting in less valuable property over time), the taxation of sales (resulting in less overall sales), and similarly, the taxation of income (resulting in less income, as people decide to move out of the city).

Opponents of the earnings tax state further that, even controlling for all other variables, such taxation on city residents has been the driving factor behind St Louis's sluggish local economy and population loss of the last ten to fifteen years.

Opponents further state that because remote work has become increasingly more popular, the imposition of the earnings tax will fall upon an ever-shrinking pool of available residents. If the cities continue to impose the earnings tax on remote workers (or if the appellate court rules in favor of St Louis City), it is possible that those employers will have a greater incentive to relocate their businesses.

INFORMATIONAL TESTIMONY

The Committee also received testimony from Dr. Ness Sandoval of St Louis University who provided information about demographic changes that have occurred in St Louis over the last ten to fifteen years. During this time period, St Louis has lost approximately 110,000 people, but has concurrently failed to counterbalance those losses by attracting enough child-bearing families into the city. The majority of those individuals who have left St Louis City are, demographically

speaking, single-parent and dual-parent minority families. St Louis has, however, received an influx of young, single professionals, but not enough, statistically speaking, to undo the recent population losses. Worthy of note, however, is the landlocked characteristic unique to St Louis City, preventing it from expanding beyond its current borders (as opposed to Kansas City, which has the ability to annex surrounding land).

Testimony was also heard from St Louis County Assessor Jake Zimmerman and St Louis City Assessor Michael Dauphin. Such testimony offered information about the complexities involved in capturing accurate valuations of real property. Specifically, the amount of time and resources assessors have to perform their duties, while still providing homeowners with an opportunity to address their concerns about the value that has been attached to their homes.

SUMMARY OF KANSAS CITY HEARING

On November 7, 2023, the Special Interim Committee on the Earnings Tax and Real Property Tax met in Kansas City. The following individuals provided public testimony before the Committee:

Cathy Bennett	Greater Kansas City Chamber of Commerce
Chrissy Gillis	Putnam County Assessor
Danny E. Allen	
Derek L. McCollum	Kansas City Police Department
Dr. Dred Scott	Civic Council of Greater Kansas City
Dr. Richard Gist	Kansas City Fire Department
John Eggleston	
Patrick Ishmael	Show-Me Institute
Quinton Lucas	Mayor, Kansas City

PROPONENTS OF THE KANSAS CITY EARNINGS TAX

Testimony in support of the city earnings tax indicated that the revenue from such tax accounts for approximately 68% of the Kansas City Police Department's budget, and approximately 37% of the Kansas City Fire Department's budget, and also represents a significant portion of all other basic services.

Kansas City officials pointed out that some 47 – 50% of the city's general revenue can be traced back to the earnings tax. However, recent court decisions regarding the refunding of remote workers has resulted in roughly 20,000 such refunds (equaling roughly $16 million in lost revenue). This has prompted efforts to mitigate the loss, including a reduction of both the overall services that Kansas City provides, and an emphasis on growing the local economy (through the attraction of new businesses). Recent booms in new construction and job creation should also help to sustain growth, which might counterbalance the loss of earnings tax revenue.

OPPONENTS OF THE KANSAS CITY EARNINGS TAX

Testimony in opposition to the city earnings tax indicated that local income taxation is harmful to cities. Such taxes encourage movement away from city centers (in the form of population, labor, and capital). Instead, Kansas City should concentrate focus on the gradual phasing out of the earnings tax, and replace the lost revenue with a combination of: a reduction of tax subsidies / abatements; an increase of less economically harmful taxes; the sharing of services with other local governments; the privatization of certain services and assets (such as the water department); budgetary cuts; and pension reforms.

RECOMMENDATIONS

The following recommendations are offered by the Special Committee to the Speaker:

St Louis & Kansas City Earnings Tax

RECOMMENDATION #1: In the case of *Mark Boles, et al., vs. City of St Louis*, the 22nd Judicial Circuit of Missouri ruled in early 2023 that the six remaining plaintiffs of the original class action be reimbursed amounts they paid in earnings tax to the City of St Louis. The court found that the city's 1% tax on work that had been conducted remotely was an improper application, and thereafter awarded a total of $8,361.31 in refunds to the six plaintiffs. If the current appeal filed by the city fails, St Louis could potentially face reimbursements that number in the tens of thousands.

The implication of this ruling cannot be understated. According to figures supplied by officials of St Louis, the city earnings tax brings in more than $150 million, on average, per year. In FY 2023 alone, the revenue derived from the earnings tax was $219 million, accounting for roughly 35-40% of the city's total revenue (and therefore the single largest source of funds). Of even larger concern is the fact that, according to current figures, nonresidents pay between 55 to 75% of the earnings tax (depending on the source). If the percentage of remote workers continues to increase, both Kansas City and St Louis will have to make difficult choices in the near future.

The Committee supports the legal action taken by the plaintiffs in *Mark Boles, et al., vs. City of St Louis*, and offers continued support in plaintiff's efforts during the appeals process.

RECOMMENDATION #2: So as to relieve pressure on low-income workers, the earnings tax should be indexed to exempt those taxpayers who have income less than 150% of the federal poverty guidelines.

RECOMMENDATION #3: So as to aid the City of St Louis and Kansas City as they transition away from the earnings tax, a gradual phase out of the tax should be instituted. Such a phase out should be tied to pre-determined increases in revenue, the attainment of which would in turn trigger a 10% reduction of the 1% earnings tax. Triggered reductions would continue until the earnings tax is completely phased out.

RECOMMENDATION #4: So as to encourage both economic and population growth in the City of St Louis and Kansas City, the following recommendations are made:

To incentivize more individuals and families to move or relocate to St Louis or Kansas City, an exemption from the earnings tax should be created for new residents wishing to make either city their new home.

To incentivize more small businesses and corporations to relocate their operations to St Louis or Kansas City, and to encourage existing small businesses and corporations to remain in St Louis or Kansas City, new Earnings Tax Opportunity Zones should be created. Such zones would correspond to federally recognized "distressed communities," and would exempt from the earnings tax all income derived by individual taxpayers and businesses from any work conducted within the newly created opportunity zones.

Residential Real Property Assessment

RECOMMENDATION #1: So as to prevent efforts by political subdivisions to evade the requirements enumerated in the Hancock Amendment of the Missouri Constitution, existing "loopholes" should be closed.

Such instances may come about when a political subdivision holds a referendum to increase local taxes in anticipation of a rise in real estate assessments, but does not thereafter roll-back the local rates in accordance with the spirit and letter of Hancock.

RECOMMENDATION #2: So as to help ensure that the process by which the assessment of real property yields the most accurate valuations, the allowable period of time for county assessors to file their documentation should be extended. Such an extension would provide a greater opportunity for county assessors to reach more precise assessments. Concurrent efforts should also be made to extend the timeframe during which a taxpayer-homeowner may seek redress through an appeal of the assessment at his or her local Board of Equalization.

RECOMMENDATION #3: So as to promote accurate assessments of real property, all effort should be made to encourage more direct contact between the county assessor and the taxpayer-homeowner. Stronger lines of communication would greatly improve the extent to which the assessor might obtain all necessary and pertinent information about the real property in question, resulting in far fewer instances of an inaccurate assessment.

APPENDIX A

JEFFERSON CITY

MISSOURI HOUSE OF REPRESENTATIVES

MINUTE BOOK

BILL NUMBER:	
SPONSOR:	CHAIR: **Murphy**
COMMITTEE: **Special Interim Committee on the Earnings Tax**	
DATE OF INITIAL REFERRAL:	LOCATION: **House Hearing Room 7**
DATE NOTICE GIVEN:	DATE HEARING HELD: **9/12/2023**

WITNESSES

NAME	ORGANIZATION	TESTIFYING PURPOSE	DATE
DAVID STOKES	Show-Me Institute	Oppose	9/12/2023
JIMMY R THWING		Oppose	9/12/2023
WILLIAM J ENGEL		Oppose	9/12/2023
GREGORY FX DALY	Collector Of Revenue	Information Purposes	9/12/2023
MARC STOFF	Collector Of Revenue	Information Purposes	9/12/2023
MARK MILTON		Information Purposes	9/12/2023
TAMMY QUEEN	City Of Kansas City, Missouri	Information Purposes	9/12/2023

DATE FINAL COMMITTEE ACTION TAKEN-EXECUTIVE SESSION:	DATE NOTICE GIVEN-EXECUTIVE SESSION:

ACTIONS (Motions made and the disposition of each)

Initial evaluation and planning.

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TESTIMONY

September 12, 2023

COLLECTION OF THE EARNINGS TAX ON REMOTE WORK BY ST. LOUIS

By David Stokes

Testimony before the Missouri House Special Interim Committee on the Earnings Tax

Thank you for the opportunity to present this testimony. My name is David Stokes. I am director of municipal policy for the Show-Me Institute, a nonprofit, nonpartisan, Missouri-based think tank that supports free-market solutions for state policy. The ideas presented here are my own.

The State of Missouri, through the General Assembly, should make clear in state law that the city earnings taxes in St. Louis and Kansas City cannot be applied to the earnings of telecommuting nonresidents who work from home. For many years, both cities have recognized that the earnings tax does not apply for the portion of work done outside of the city limits by nonresidents. This practice comports with the plain language of the applicable statute, which applies to wages described as follows in the section regarding nonresidents[1]:

> Salaries, wages, commissions and other compensation earned by nonresidents of the city for work done or services performed or rendered in the city.

Despite the plain language of existing law, the City of St. Louis, since 2020, has collected earnings-tax revenue from nonresidents who work for businesses within the city even if they perform their work from their homes located outside of the city limits. While we understand the financial challenges the pandemic posed for many entities, this decision was misguided and violated the law. If the lawsuits that have been filed against the city are any indication, it seems many workers and businesses agree.[2] Furthermore, in early 2023 a judge agreed with the plaintiffs in one of the lawsuits and ruled that the City of St. Louis had acted improperly. In his decision, the judge wrote (emphasis added):[3]

> It seems this sudden surge in telework caused the Collector to fear a high demand for the Earnings Tax refund and its potentially profound effect on the City's budget. As a result, it seems the Collector unilaterally altered the criteria for the refunds without pursuing any kind of formal rule-making process or any amendments to the existing Earnings Tax statute or ordinance. While Defendants contend they always had the power to collect the Earnings Tax from teleworkers, they just never exercised it until recently, the Court finds that untrue given the analysis of the Earnings Tax above. Moreover, it strains credibility to think Defendants always believed they were entitled to more tax dollars but just decided for reasons unknown not to attempt to collect them.

The city was ordered to repay the earnings taxes collected on remote work to the plaintiffs. Not surprisingly, the city is appealing. As one former city aldermen stated in response to the judge's ruling, "I would appeal it for the next 1,000 years."[4] The city apparently intends to appeal, oppose, or ignore the judge's ruling for as long as it possibly can.

The argument for the earnings tax has always been that people working in the city need to contribute to city coffers. Whatever you think of that rationale, it would be a dramatic expansion of the City of St. Louis's authority to continue to allow it to collect taxes for work performed outside of the city.

Kansas City, on the other hand, has been issuing earnings tax refunds to remote workers. The city set aside about $17 million to reimburse taxpayers in 2021.[5] While that's a large amount of tax revenue, that money rightly belongs in the pockets of remote workers. However the two cities chose to address the issue, it is worth noting that they each received hundreds of millions of dollars in Federal stimulus funds in 2021, and one of the primary purposes of those funds was to replace lost local tax revenues.

Local income taxes are harmful for cities. They encourage movement of population, labor, and capital away from the cities that impose them to surrounding communities that do not levy such taxes.[6] This effect has been documented by numerous studies.[7] Despite the evidence against earnings taxes, they remain popular with voters and local officials in both cities. After all, who wouldn't want to tax non-residents to help pay for the public services of the residents? The short-term political gains appear to always trump the long-term benefits of eliminating the earnings tax.[8] The earnings tax in general places a burden on workers and can contribute to business decisions to locate outside of the City of St. Louis and Kansas City.[9]

Remote work has become much more popular, and many believe it will remain popular going forward. If remote workers are burdened by the earnings tax being improperly applied to telecommuting, their employers will have even more incentive to relocate their businesses or simply open satellite offices outside the city. We do not need another reason for businesses to locate outside of Missouri's largest cities.

St. Louis and Kansas City should actively explore how to phase out their earnings and payroll taxes to create a better environment for economic growth in those two cities over the long term. The substantial increase in working from home during and after the pandemic is one more reason to move away from depending on earnings taxes.[10] Nobody says it will be easy to replace a substantial part of those cities' budgets, but if earnings taxes were phased out over a 10-year period, St. Louis and Kansas City could replace the lost income tax revenue with a combination of:

- Substantially reduced granting of various tax subsidies
- Increasing other, less economically harmful taxes
- Sharing services where possible with other governments
- Privatizing certain services and assets, such as their water departments
- Budget cuts
- Pension reforms

This committee can make an important statement about telecommuting and remote work as it relates to local earnings taxes in Kansas City and St. Louis. Such a tax on nonresidents is improper and unwarranted. Thank you for the opportunity to testify today.

NOTES

1. RSMO 92.111.2(2)

2. Gerber, Cameron. "St. Louis remote workers challenge city's earnings tax." *The Missouri Times*, and Jacob Barker. "AT&T' says St. Louis collector improperly charged payroll tax on work outside city limits." *St. Louis Post-Dispatch.*

3. *Boles, et al v. City of St. Louis.* Missouri circuit court, twenty-second judicial district, Order and Judgement by Judge Jason Sengheiser, January 19, 2023.

4. Huguelet, Austin, "St. Louis could lose $150 million in earnings taxes to people working from home," *St. Louis Post-Dispatch*, January 26, 2023.

5. Hendricks, Mike. "Remote workers: Expect to wait months for your Kansas City earnings tax refund." *Kansas City Star*.

6. Haslag, Joseph, "How an Earnings Tax Harms Cities Like St. Louis and Kansas City," Show-Me Institute Policy Study No. 1, March 2006.

7. Glaeser, Edward, "Triumph of the City," Penguin Books, 2011, p. 59.

8. Wall, Howard, "Updated Estimates of the Effects of Earnings Taxes on City Growth," Show-Me Institute Essay, September 2014.

9. Baier, Corianna. "Local Income Taxes." Show-Me Institute, 2020.

10. Gurley, Gabrielle, " Remote Workers Punch Holes in City Revenues," *The American Prospect,* January 13, 2022, https://prospect.org/economy/remote-workers-punch-holes-in-city-revenues.

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CITY OF KANSAS CITY, MISSOURI
EARNINGS TAX

KANSAS CITY
Finance Dept

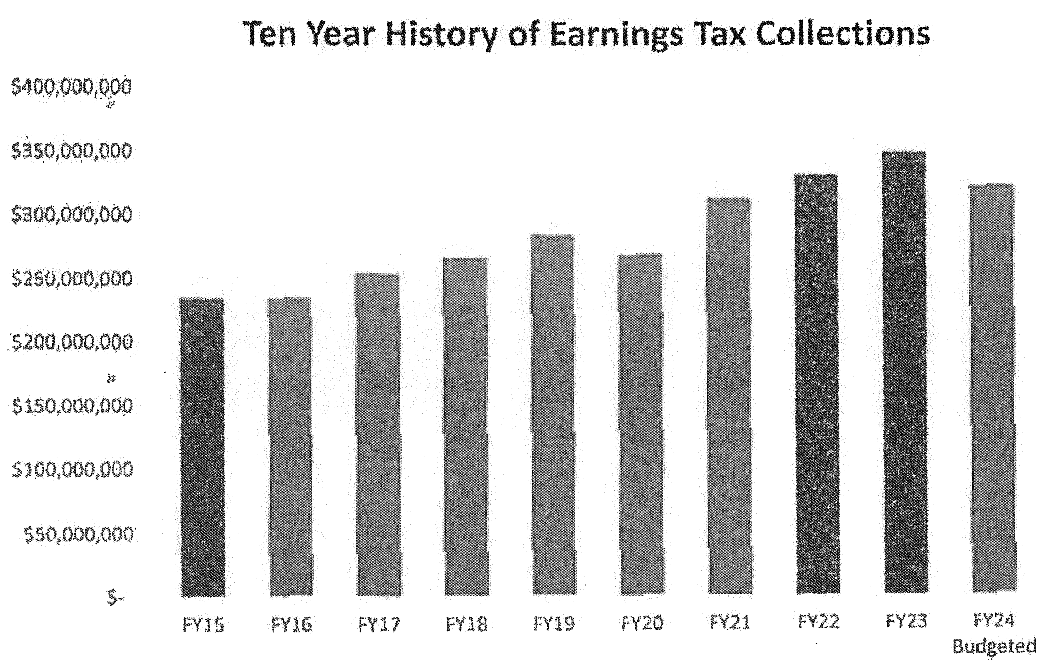
BUDGETARY IMPACT OF THE EARNINGS TAX

The City's $2.06 billion budget is generally divided into thirds:

- General Fund – 30%
- Special Revenue, Capital, and Debt Funds – 35%
- Business Type Activities – airport, water, sewer – 35%

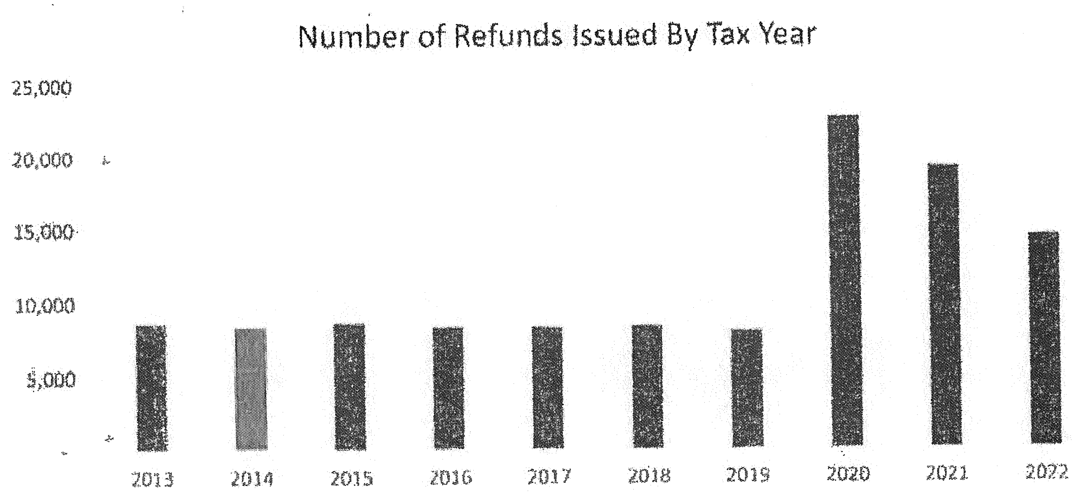
The total General Fund budget for FY2023-24 is $691.8 million. The General Fund is the primary operating fund for the City and includes general tax revenues like earnings tax, utility tax, property tax, and various fees. The General Fund is primarily used to fund public safety which represents 66.3% of General Fund expenditures. Public safety includes police and fire protection, ambulance services, and municipal court. Other expenditures in the General Fund include internal service departments such as Finance, Law, and Human Resources, as well as Solid Waste collection, Housing and Neighborhood services.

Earnings tax revenue for FY2023-24 is estimated at $313.3 million which represents 46.8% of the General Fund budget.



EARNINGS TAX REFUND PROCESS

Taxpayer refunds are received and handled using a first in, first out method. Prior to tax year 2020, requests for refund were processed within four to six weeks. Due to the increase in remote work during the pandemic, the quantity of refund requests increased dramatically and the time to process increased to eight to 10 weeks. Refunds can currently be expected to be issued within about six weeks.



In March 2023, the City Council revised the refund process to require refund requests for a given tax year to be filed by the due date for filing the federal tax return for such year. Prior to this change, the City allowed taxpayers to request refunds for up to five years. Given a timely filing, this still allows a remote worker the ability to file for a refund of prior year earnings tax for days out of the City such as working from a home office in Grandview or in Johnson County, Kansas.

OFFICE OF THE COLLECTOR OF REVENUE

CITY OF ST. LOUIS
1200 MARKET STREET, ROOM 110
SAINT LOUIS, MISSOURI 63103

GREGORY F.X. DALY
COLLECTOR OF REVENUE

(314) 622-3730
FAX: (314) 622-4413

Members of the Special Interim Committee

Dear Members,

My name is Gregory F.X. Daly and I'm the Collector of Revenue for the City of St. Louis. With me today I have my Chief of Staff, Marc Stoff. Chairman Murphy and members of the Special Interim Committee on the Earnings Tax, thank you for including us in this conversation, as this issue is critical to the ongoing health, safety and prosperity of millions of people who live, work and visit the City of St. Louis each year, as well as the people of the entire state of Missouri.

Strong healthy cities are essential to every strong state. Keeping those cities safe for everyone and providing opportunities for better lives are duties that both city and state governments share. While the Earnings Tax isn't popular with this committee and many of the people who live outside of the City of St. Louis who pay this tax, it's critical for you to understand the far reaching impact you will create within the State of Missouri if you attempt to dissolve the Earnings Tax.

The City of St. Louis and Kansas City are working to reduce crime, keep their citizens safe, attract new businesses and foster innovation. To do this, we need the support of people across the entire State of Missouri.

I appreciate state lawmakers' attempts to reduce taxes at a time when inflation is so high. However, reducing or removing the Earnings Tax will do serious long-term harm to the entire state of Missouri in ways that will impact progress for decades to come.

Let's review the Earnings Tax. It was established in 1954, and the one percent tax rate hasn't changed since 1959, unlike most other tax rates.

In November 2010, voters in Missouri passed a state law requiring that, in order for the Earnings Tax to continue, it would need approval by local referendum every five years. If not successfully passed, the tax would be phased out over a 10-year period. There have been three retention votes since that time in the City of St. Louis. City voters overwhelmingly approved retention by 88% in 2011, 72% in 2016 and 79% in 2021.

The next retention vote will be due in 2026.

dalyg@stlouis-mo.gov stlouiscollector.com

The Earnings Tax is the largest source of general revenue for the City of St. Louis. It funds major city services including the Police Department, Fire Department, Corrections & Juvenile Detention, Circuit Court, Circuit Attorney, Sheriff, and city maintenance.

The Earnings Tax is designed to be a tax that provides equity and fairness, which means it's not imposed most heavily on those least able to pay. It's designed to be paid by users of city services, which include residents and non-residents. And, it's designed to adapt with the economy. Retirement and unemployment are not subject to the tax.

The services offered in the City of St. Louis and in Kansas City benefit the entire state. The major sports teams including the St. Louis Cardinals, Blues Hockey Team, St. Louis City Soccer Team, Kansas City Chiefs, and the Kansas City Royals bring in huge revenue to the state of Missouri as do other businesses and attractions that draw people to vibrant urban areas from all over Missouri.

As you know, the Earnings Tax issue is before the Missouri Courts to determine if remote workers who are employed by businesses in the City of St. Louis, should pay Earnings Taxes.

While I can't discuss details of the matter given that it's pending litigation, I can provide a status update.

- Both sides have filed their appeals
- There are still briefs to be exchanged
- The matter should be argued before the Eastern MO Court of Appeals in early 2024
- The Supreme Court chose not to hear the case indicating they did not believe it rose to the level of requiring immediate action
- There is no case law on this issue, based solely on statutory interpretation
- The 70-page brief filed by the plaintiffs indicates how complex this is, so it is not a simple matter
- The position of my office is that the earnings tax should be applied to remote workers
- Beyond that, we will let the courts decide the matter and abide by the ruling

I urge you to review this matter carefully and objectively, without any partisan stance. Take a long-term view of the future of this state's economy and the massive impact that contributions from St. Louis City and Kansas City have on the state's overall economy. You have an ethical obligation to protect the health and safety of the people of St. Louis and Kansas City, just as you do your own constituents. If you remove the Earnings Tax, the funding of public safety is going to have to come from other state sources. These costs won't disappear. They will still need to be paid and the people of those two cities alone cannot and should not shoulder the financial responsibility due to a short-sighted decision.

To conclude my comments today, reducing or removing the Earnings Tax will do serious long-term harm to the people of the entire state of Missouri in ways that will impact progress for decades to come.

Gregory F.X. Daly
Collector of Revenue
City of St. Louis

APPENDIX B

ST. LOUIS

MISSOURI HOUSE OF REPRESENTATIVES

MINUTE BOOK

BILL NUMBER:	
SPONSOR:	CHAIR: **Murphy**
COMMITTEE: **Special Interim Committee on the Earnings Tax**	
DATE OF INITIAL REFERRAL:	LOCATION: **St. Louis Community College - Forest Park, 5600 Oakland Avenue, St. Louis, MO 63110 - Room HS412A/412B**
DATE NOTICE GIVEN:	DATE HEARING HELD: **10/30/2023**

WITNESSES

NAME	ORGANIZATION	TESTIFYING PURPOSE	DATE
BYRON KEELIN	Freedom Principle Mo	Support	10/30/2023
KIRK HILZINGER		Support	10/30/2023
HOWARD WALL		Oppose	10/30/2023
PAUL BERRY III		Oppose	10/30/2023
ARNIE C. AC DIENOFF-STATE PUBLIC ADVOCATE		Information Purposes	10/30/2023
ARNIE C. AC DIENOFF-STATE PUBLIC ADVOCATE		Information Purposes	10/30/2023
DENIS BEGANOVIC		Information Purposes	10/27/2023
J. S. ONESIMO SANDOVAL	Slu	Information Purposes	10/30/2023
JAKE ZIMMERMAN	St. Louis County Assessor	Information Purposes	10/30/2023
MARK HARDER		Information Purposes	10/30/2023
MICHAEL DAUPHIN	City Of St. Louis	Information Purposes	10/30/2023
PAUL W. PAYNE		Information Purposes	10/30/2023
ROBERT MAHACEK		Information Purposes	10/30/2023
TIM ARCHIBALD		Information Purposes	10/27/2023

DATE FINAL COMMITTEE ACTION TAKEN-EXECUTIVE SESSION:	DATE NOTICE GIVEN-EXECUTIVE SESSION:

ACTIONS (Motions made and the disposition of each)

Hearing regarding St. Louis Earnings and Real Estate Taxes.

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WHERE LIBERTY COMES FIRST

REPORT

JULY 2023

IF YOU TAX SOMETHING, YOU GET LESS OF IT

THE EFFECTS OF EARNINGS TAXES ON ECONOMIC GROWTH IN ST. LOUIS, KANSAS CITY, AND MISSOURI

By Howard J. Wall

KEY TAKEAWAY

- Earnings taxes have a negative effect on both employment growth and population growth in the cities that impose them.

INTRODUCTION

This paper examines and estimates how the taxes levied on individual earnings in St. Louis and Kansas City affect population and employment growth in the cities, their respective metro areas, and the state of Missouri. These one-percent earnings taxes are levied on those who live or work in the cities and have been shown to have significant negative effects on the allocation of income and population.[1] The purpose of this paper is to update and consolidate the examination of earnings taxes so that policymakers and the general public have the most-recent and most-comprehensive picture that is possible with available data.

ADVANCING LIBERTY WITH RESPONSIBILITY BY PROMOTING MARKET SOLUTIONS FOR MISSOURI PUBLIC POLICY

City governments across the country provide many services to their residents, including but not limited to police, roads, streetlights, parks, and education. To provide these services, governments need to raise revenue through taxes and fees that distort the city's economy and affect the decisions of people and businesses both inside and outside the city. These distortions result in what economists call deadweight losses and unintended consequences that are simply unavoidable whenever taxes are levied. Effective city governments will try to minimize these distortions relative to the benefits that residents receive from the services bought with the tax revenue.

A key to minimizing tax distortions is to remember economists' mantra about taxes: if you tax something, you get less of it. Property taxes will mean less-valuable property, sales taxes will mean reduced sales, and income taxes will mean less income. For cities, mobility is a crucial consideration when trying to minimize the distortions caused by taxes. Relative to taxes at the state or national level, city taxes are easy to avoid by simply relocating to a nearby or neighboring city without leaving the county, metro area, or state.[2]

Because of the relative ease of tax avoidance via mobility, cities tend to tax relatively immobile things to finance public services. In particular, they tend to rely much more heavily on property taxes rather than sales taxes and income taxes. Property won't move when it is taxed, unlike people who can be taxed as residents, employees, or customers. Because of this, localities in the United States collect about 15 times as much revenue from property taxes as they do from taxes on individual income, and about four times as much as they do from sales taxes. St. Louis City and Kansas City, on the other hand, do the opposite of what is prescribed by economists.[3] In each city, government revenue from property taxes is about half the amount of government revenue from taxes on individual income.[4]

There are several direct ways that an earnings tax can affect individual location decisions and city/metro growth. For example, if the central city of a metro area has an earnings tax, the area's natural population growth will be distorted away from the center to elsewhere in the metro area. In addition, the tax means there is more incentive for residents to move out of the metro area and less incentive for others to move into it. Overall, the earnings tax should reduce growth of the central city's population and employment, could increase or decrease population and employment growth in the rest of the metro area, and could decrease population and employment growth in the metro area as a whole. Given that earnings tax rates are not very high, we shouldn't expect massive numbers of people making their location decisions based on them in any given year. But even fewer than a hundred such decisions per year can mean thousands of mislocated people over a decade.

These numbers reflect only the direct effects of an earnings tax on people's decisions about where to live, as well as where and whether to work. They do not account for the geographic inefficiencies that an earnings tax leads to. In short, the earnings tax results in a misallocation of people and employers across the metro area relative to where they would be with undistorted choices. For example, efficient metro areas tend to have people and jobs concentrated in the central areas, with employment and population density decreasing the further you get from the center. Earnings taxes in the central city flatten the distribution of people and employment away from the center. The reduction in geographic efficiency has the consequence of lowering employment and population across the metro area.[5] In other words, an earnings tax does not simply reallocate people and employment between cities within a metro area; it also can lead people and employment to leave the metro area altogether by weakening the metro economy.

DATA AND EMPIRICAL MODEL

To obtain up-to-date estimates of the effects of earnings taxes on city growth in population and employment, I used data from the Census Bureau's annual American Community Survey (ACS) and compared cities according to their growth between 2010 and 2019. I chose the nine-year period of 2010 to 2019 to avoid dealing with the Great Recession of 2008–09 and the start of the COVID pandemic in 2020.[6] The one-year ACS includes all places within official metro areas that had populations in 2019 greater than 65,000. The smallest places in my dataset had populations just above 60,000 or employment just above 20,000 in 2010. Note that employment in the ACS is an estimate of the number of people who are employed,

rather than the number of jobs. Thus, it doesn't tell us where employment is happening, just whether a person who lives in a city is employed or not.[7]

The data on earnings taxes are from the Tax Foundation, which documents all local income taxes across the country, some of which are not comparable to the percent taxes on earnings that I am interested in. For example, several cities in Colorado and West Virginia levy taxes between $2 and $10 dollars per pay period on employed people. I simply ignored these taxes as being too small to matter. Iowa localities and Yonkers, New York, base their taxes on the amount of state income taxes paid rather than on earnings. These taxes are large enough to matter but are not comparable to taxes levied elsewhere, so I excluded those cities. Finally, Washington, D.C., and New York City impose their taxes on residents only, so they are really just traditional income taxes. As such, these cities and their metro areas are not included in the dataset. After eliminating cities with incomplete data, I have a dataset of 504 cities. Of these, 39 impose earnings taxes, with rates that range from Philadelphia's 3.8809 percent to San Francisco's 0.19 percent. A total of 73 cities are in metro areas in which at least one city—usually the central city of the metro area—imposes an earnings tax.

I use the model below to estimate the relationship between earnings taxes and city population and employment growth rates.[8] The model includes three tax variables: (1) The direct effect of the tax is captured by city *i*'s earnings tax rate T_i. (2) The larger a city is within its metro area, the fewer options there are for living and working outside the city without leaving the metro area. To account for this, the model includes the interaction between a city's earnings tax rate and $popshare_i$, its share of its metro area's population. (3) Some metro areas include non-central cities with their own earnings taxes, so the model includes the difference between the city's earnings tax rate and T_i^C, the earnings tax in the central city in its metro area.[9]

To control for the initial geographic environment within which earnings taxes reallocate people and affect growth, the model controls for cities' size and agglomeration in 2010. Specifically, $population_i$ is a city's population in millions, $density_i$ is its population per square mile; and ($population_i \times density_i$) is the interaction of the two. A city's share of its metro area's population is included to capture agglomeration within its metro area. In addition to these agglomeration variables, I include $manufshare_i$—a city's share of employment in the manufacturing sector in 2010—to control for the long-term decline of manufacturing.[10] Regional and region-related factors are captured by dummy variables indicating whether the city is in the Southeast or Southwest regions of the country, where growth rates well above average were typical.[11] I estimated the model using Ordinary Least Squares and adjusted standard errors to account for heteroskedasticity.

The expectation is that the direct effect of an earnings tax is to reduce growth in the taxing city ($\beta < 0$), although this effect is ameliorated the larger the city is relative its metro area ($\gamma > 0$). For cities in the rest of the metro area, an earnings tax in a central city can lead to more population and employment growth because of the tax advantage ($\delta < 0$). On the other hand, the metro area might suffer from the geographic misallocation of people and firms along with a general decline in growth as the earnings tax pushes people out of the metro area altogether ($\delta > 0$). The net effect of the earnings tax on the metro area outside the central city depends, therefore, on the relative sizes of the tax-advantage and general-decline effects.

$$
\begin{aligned}
growth_i = {} & \alpha + \beta T_i + \gamma\left(popshare_i \times T_i\right) + \delta\left(T_i - T_i^C\right) \\
& + \lambda population_i + \rho density_i + \kappa\left(population_i \times density_i\right) + \theta popshare_i \\
& + \sigma manufshare_i + \omega Southeast_i + \mu Southwest_i + \varepsilon_i
\end{aligned}
$$

The question I want to address with this model is what would happen if a city had used some other means, such as property taxes, to raise the same amount of revenue it raised with earnings taxes. That is, the coefficients on the tax variables would indicate the effects of differences in earnings tax rates for a given level of government revenue. One way to do so is for the model to include a measure of per-capita government revenue. Although that variable is not available for all of the cities in the dataset, it is available for a subset of them from the Government Finance Database produced by researchers at Willamette University.[12] When per-capita own-government revenue is included for the 458 cities for which it is available, its coefficient is statistically no different from zero, and the model without the variable is preferred.[13] For parsimony and to maximize the number of observations, I do not

Table 1: Select Sample Statistics

Variables	St. Louis City	Kansas City	Sample Mean	25th %ile	Median	75th %ile
Population growth rate, 2010–19	–5.8	7.5	8.6	1.7	7.1	12.5
Employment growth rate, 2010–19	8.6	19.2	19.1	10.7	17.8	25.6
Population (thousands), 2010	319	460	184	81	104	175
Population density (1000s/sq. mile), 2010	5.2	1.5	3.7	1.9	2.9	4.5
Share of metro population, 2010	11.3	22.6	18.7	2.3	9.3	31.7
Manufacturing share of employment, 2010	7.7	9.0	9.6	6.1	9.0	12.5

Table 2: Regression Results: City Population Growth, 2010–2019

Independent variable	Coefficient	Std. error	t–statistic
Intercept (α)	17.898	1.752	10.21
Earnings tax rate (β)	–4.268	1.037	–4.12
Earnings tax × share of metro area population (γ)	0.077 †	0.042	1.85
Difference between city and central–city earnings tax rates (δ)	1.912*	0.803	2.38
Population (millions, λ)	–1.208	2.444	–0.49
Population density (people per square mile, ρ)	–0.0012*	0.0002	–6.40
Population × population density (κ)	0.0005	0.0003	1.31
Share of metro area population (percent, θ)	–0.127*	0.024	–5.29
Manufacturing share of payroll employment (percent, σ)	–0.360*	0.092	–3.91
Southeast region dummy (ω)	1.325	1.108	1.20
Southwest region dummy (κ)	6.563*	1.618	4.06
R^2=0.240	number of observations=504		

Standard errors are adjusted to account for heteroskedasticity. A "*" or a "†" indicate statistical significance at the 5 or 10 percent level, respectively.

include this variable. This exclusion does not bias the results, so it is safe to take my estimates as the marginal effects of revenue-neutral changes in earnings tax rates.

Table 1 provides some perspective on St. Louis City and Kansas City relative to the other cities in the dataset. Note first that St. Louis City saw its population drop by almost 6 percent while Kansas City's population grew by 7.5 percent. And, whereas Kansas City's population growth was in the top half of the sample, St. Louis City's was in the bottom three percent of cities, just above Detroit and just below Baltimore. Given that the period included the recovery from the Great Recession, very few cities saw negative employment growth during the period. St. Louis City's employment grew, but more slowly than more than 80 percent of the cities in the sample, whereas Kansas City's employment grew faster than that of most other cities.

Both cities were among the largest cities in the sample, about half of which had fewer than 100,000 residents. The two cities are very different in terms of their position within their respective metro areas: St. Louis City is a relatively dense and small central city that held only 11 percent of its metro area's population, whereas Kansas City is much more sprawling and held nearly 23 percent of its metro area's population.

Table 3: Regression Results: City Employment Growth, 2010–2019

Independent variable	Coefficient	Std. error	t–statistic
Intercept (α)	25.190*	2.472	10.19
Earnings tax rate (β)	–5.067*	1.377	–3.68
Earnings tax × share of metro area population (γ)	0.137*	0.054	2.55
Difference between city and central–city earnings tax rates (δ)	1.607†	0.906	1.78
Population (millions, λ)	3.139	3.529	0.89
Population density (people per square mile, ρ)	–0.0007*	0.0003	–2.66
Population × population density (κ)	0.0001	0.0004	0.32
Share of metro area population (percent, θ)	–0.154*	0.035	–4.43
Manufacturing share of payroll employment (percent, σ)	–0.202	0.139	–1.46
Southeast region dummy (ω)	1.652	1.753	0.94
Southwest region dummy (κ)	4.628*	1.917	2.41
R^2=0.088	number of observations=506		

Standard errors are adjusted to account for heteroskedasticity. A "*" or a "†" indicate statistical significance at the 5 or 10 percent level, respectively.

EMPIRICAL RESULTS

This section reports the estimation results for the empirical model described in the previous section. The results for population growth are provided by Table 2, and the results for employment growth are provided by Table 3. As expected, in both cases a city earnings tax has a negative growth effect that is positively related to the city's relative size ($\beta < 0$ and $\gamma > 0$). Further, the rest of the metro area will tend to see lower growth because the tax-advantage effect is dominated by the general-decline effect ($\delta > 0$). These results are consistent with those obtained previously for earlier periods.

Population Growth

As shown in Table 2, each percentage point of an earnings tax is estimated to have reduced a city's growth rate by close to 4.3 percentage points between 2010 and 2019 before accounting for the effect of the city's relative size. Each percentage point of the city's share of its metro area's employment would reduce the effect by 0.077 times the tax rate. In the case of St. Louis, the city accounted for about 11.3 percent of its metro area's population, so the estimated effect of the St. Louis earnings tax on the city's population growth rate is about 3.4 percentage points. For Kansas City, which accounted for 22.6 percent of its metro population, the earnings tax is estimated to have reduced the growth rate by 2.5 percentage points. Recall that the 2010–2019 population growth rates for St. Louis City and Kansas City were –5.8 percent and 7.5 percent, respectively.

Growth in a non-central city tended to be lower if its central city levied an earnings tax. Specifically, for each percentage point of the tax, population growth in these cities is estimated to have been reduced by about 1.9 percentage points. For perspective, excluding St. Louis City, the population of the St. Louis metro area grew by 1.3 percent between 2010 and 2019, so this result suggests that it would have grown by 3.2 percent were it not for St. Louis City's earnings tax. Excluding Kansas City, the Kansas City metro area grew by 7.2 percent between 2010 and 2019, but these estimates suggest that it would have grown by 9.1 percent without an earnings tax.

Table 4: Effects of Earnings Taxes on City and Metro Population Growth in St. Louis City and Kansas City, 2010–2019

	Level effect of earnings taxes	Actual 2010–19 growth	Growth without an earnings tax	% Effect of earnings taxes
St. Louis Metro Area				
St. Louis City	–10,800	–18,600	–7,800	139%
Rest of metro area	–47,700	32,000	79,700	–60%
Entire metro area	–58,500	13,400	71,900	–81%
Kansas City Metro Area				
Kansas City	–11,600	34,600	46,200	–25%
Rest of metro area	–29,700	110,000	139,700	–21%
Entire metro area	–41,300	144,600	185,900	–22%

Numbers might not sum due to rounding.

Employment Growth

As shown in Table 3, the marginal effect of each percentage point of a city earnings tax was about a 5-percentage-point decrease in city employment growth rate before accounting for the city's share of its metro area. Each percentage point of the city's share of its metro area population reduced the negative effect of the tax by 0.14 percentage points. Thus, recalling that St. Louis City accounts for 11.3 percent of its metro area, the St. Louis earnings tax is estimated to have reduced the city's employment growth rate by about 3.5 percentage points. Performing this exercise for Kansas City yields an estimated decrease of about 2.0 in the city's growth rate because of its earnings tax. Recall that employment growth rates for 2010 to 2019 in St. Louis City and Kansas City were 8.6 and 19.2 percent, respectively. This relatively robust growth included a significant amount of employment loss from the Great Recession.

Non-central cities faced a decrease in their employment growth rates of 1.5 percentage points for each percentage point of a central city's earnings tax. For the St. Louis metro area outside of St. Louis City, actual employment growth was 7.4 percent, so growth would have been 8.9 percent without the earnings tax. For the Kansas City metro area outside Kansas City, employment growth was 9.7 percent but would have been 11.2 percent without an earnings tax.

ST. LOUIS AND KANSAS CITY

This section takes the general empirical relationships described in the previous section and applies them to St. Louis City and Kansas City to obtain estimates of the population and employment lost because of earnings taxes. The estimates are for the taxing cities themselves, portions of the metro areas outside the taxing cities, and each metro area as a whole.

The effects in this section are calculated by applying the estimated effects on growth rates (β, γ, and δ) reported in Tables 2 and 3 to population and employment levels for 2010. When calculating the effects for the parts of the metro areas outside St. Louis City and Kansas City, it is assumed that the effect of the central cities' taxes on other cities within their metro area, δ, is the same throughout the metro area. Also note that to do these calculations, it is necessary to bring in data from sources other than the ACS. Specifically, I use data from the Census Bureau to calculate the Missouri and Illinois portions of the St. Louis metro area and the Missouri and Kansas portions of the Kansas City metro area. I use data from the Bureau of Labor Statistics to do the same for employment.[14]

Population Growth

The first column in Table 4 is estimated reductions in population between 2010 and 2019 attributed to earnings taxes. For reference and to illustrate the scale of the estimates, the second column of numbers provides

Table 5: Effects of Earnings Taxes on City and Metro Employment Growth in St. Louis City and Kansas City, 2010–2019

	Level effect of earnings taxes	Actual 2010–19 growth	Growth without an earnings tax	% Effect of earnings taxes
St. Louis Metro Area				
St. Louis City	–5,000	12,400	17,400	–29%
Rest of metro area	–19,100	88,200	107,300	–18%
Entire metro area	–24,100	100,600	124,700	–19%
Kansas City Metro Area				
Kansas City	–4,300	42,200	46,500	–9%
Rest of metro area	–12,300	74,600	86,900	–14%
Entire metro area	–16,600	116,800	133,400	–12%

Numbers might not sum due to rounding.

the actual change in population over the period. Consistent with estimates for previous periods, a sizable portion of the actual decrease in population in St. Louis City is attributed to the earnings tax: 10,800 of the nearly 19,000-person decrease in the city's population (58 percent) is attributed to the earnings tax. Put another way, the city's population loss was 138 percent of what it would have been if the city did not have an earnings tax. The rest of the St. Louis metro area saw its population increase over the period, but it would have increased much more if St. Louis City did not have an earnings tax. Specifically, without an earnings tax the rest of the metro area would have seen population growth of 79,700 instead of 32,000. For the St. Louis metro area as a whole, population grew by only 13,900 people, but it would have grown by 71,900 if St. Louis City did not have an earnings tax. Or, the metro area's population growth was reduced by about 81 percent because St. Louis City levies an earnings tax.

The Kansas City metro area grew much more than the St. Louis metro area did, so the earnings tax had less dramatic effects relative to the growth that actually occurred. Nonetheless, the earnings tax had significant effects on population growth in the city and the rest of the metro area. Specifically, the tax is held responsible for reducing Kansas City population growth by 11,600 in 2019. In other words, the city's population growth was 25 percent lower because of the earnings tax. The rest of the metro area saw 29,700 fewer new residents because of the tax, which would mean that the earnings tax reduced its population growth by about 21 percent. Population growth for the metro area as a whole was reduced by 41,300 people because of the tax, which equates to a 22-percent decrease in the relatively robust population growth that the metro area experienced.

Employment Growth

Both metro areas saw relatively steady employment growth throughout the period as the local and national economies recovered from the Great Recession of 2008–09. Nevertheless, as indicated by the estimates provided in Table 5, both would have seen even more growth without earnings taxes. St. Louis City saw employment rise by 12,400 between 2010 and 2019 but would have seen an extra 5,000 employed people if there had not been an earnings tax. Put another way, the tax reduced the city's employment growth by 29 percent. The rest of the St. Louis metro area saw employment growth of 88,200, but without an earnings tax would have had growth of 107,300. For the metro area as a whole, the earnings tax meant that employment was 19,100 lower in 2019. The 19 percent reduction in employment growth between 2010 and 2019 amounts to a loss of nearly 2,500 in employment growth per year.The effects of Kansas City's earnings tax were similarly large. For the city itself, employment growth was 4,300 lower than it would have been, which amounted to a nine percent loss. For the rest

of the metro area, the earnings tax meant that there were 12,300 fewer people employed people in 2019, or about a 14 percent loss of employment growth because of the central city's earnings tax. Overall, the increase in Kansas City metro area employment between 2010 and 2019 was 16,600 lower than it would have been without an earnings tax, about a 12 percent loss, or more than 1,800 per year.

SUMMARY AND CONCLUDING REMARKS

This paper presents new estimates of the effects of the one-percent taxes on individuals' earnings in St. Louis City and Kansas City. More specifically, it estimates their effects on population and employment growth in the cities and their metro areas using data for 504 cities from across the United States for 2010 to 2019. The results indicate that cities with earnings taxes tended to have lower growth than otherwise similar cites. The taxes also were related to decreased growth in the rest of the cities' metro areas:

- For St. Louis, the results indicate that the earnings tax:
  - Reduced population growth for the city itself by 10,800 (about 58 percent of the actual decline) and for the metro area as a whole by 58,500 (about 81 percent).
  - Reduced employment growth in the city itself by 5,000 (about 29 percent) and for the metro area as a whole by 24,100 (about 19 percent).
- For Kansas City, the results indicate that the earnings tax:
  - Reduced population growth in the city itself by 11,600 (about 25 percent) and in the metro area as a whole by 41,300 (about 22 percent).
  - Reduced employment growth in the city itself by 4,300 (about 9 percent) and for the metro area as a whole by 16,600 (about 12 percent).

These metro-area results might not be the end of the story, however, because the effects of the earnings taxes might reach beyond the two metro areas. In a separate paper, I found that growth in outstate Missouri tends to follow growth in the St, Louis metro area.[15] That is, extra employment of 1,000 in the St. Louis metro area has tended to mean extra employment of about 300 in outstate Missouri. Applying this rule of thumb to the estimated effect of the earning tax on the St. Louis metro area suggests a decrease of 7,200 in outstate Missouri employment growth. Further, such a drop in employment growth might have been accompanied by a 16,000 reduction in outstate population growth.[16]

These numbers are not direct estimates of the effects on outstate Missouri, so they should be handled with care. Nonetheless, they do suggest that earnings taxes are not simply local issues but could affect the Missouri economy more broadly. Specifically, combining them with the estimated effects for the Missouri parts of the two metro areas would suggest that the taxes reduced Missouri-wide population growth by 95,400 (40 percent) and employment growth by 39,800 (15 percent) between 2010 and 2019.

For a relatively slow-growing state like Missouri, the numbers presented in this study indicate significant declines in growth from a single policy in the state's two largest cities. Finally, it is worth noting that the results do not suggest simply getting rid of the earnings taxes and eliminating the spending they support. As already noted, the estimates should be interpreted as the harmful effects of the inefficient tax structures in St. Louis City and Kansas City, not of the amount of tax revenue collected.[17]

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NOTES

1. For the effects on the intra-metro allocation of income, see Haslag, Joseph. "How an Earnings Tax Harms Cities Like St. Louis and Kansas City." Show-Me Institute, Policy Study No. 1, March 2006. For the effects on population and employment in the 1990s, see Wall, Howard J. "New Evidence of the Effects of City Earnings Taxes on Growth." Show-Me Institute Essay, October 2013. For the effects on population in the 2000s, see Wall, Howard J. "Updated Estimates of the Effects of Earnings Taxes on City Growth." Show-Me Institute Essay, September 2014. For the effects on employment in the 2000s, see Wall, Howard J. "The Missouri-Wide Effects of City Earnings Taxes." *Missouri Policy Journal*, 9, Spring/Summer 2020, 59–63, which also provides the employment effects for Missouri as a whole.

2. There is a large literature in economics considering the role of differences in taxes and services on the decision of where to live within a metro area. See, for example, Boehm, Thomas P.; Herzog Jr., Henry W.; and Schlottmann, Alan M. "Intra-Urban Mobility, Migration, and Tenure Choice." *Review of Economics and Statistics*, 1991, 73(1), 59–68; Grassmueck, Georg. "What Drives Intra-County Migration: The Impact of Local Fiscal Factors on Tiebout Sorting." *Review of Regional Studies*, 2011, 41, 119–138; Li, Wenjing; Cushing, Matthew J.; and Anderson, John E. "Household Mobility and Local Government Finance in U.S. Cities." *Proceedings. Annual Conference on Taxation and Minutes of the Annual Meeting of the National Tax Association*, 2018, 111, 1–23; Saltz, Ira; and Capener, Don. "60 Years Later and Still Going Strong: The Continued Relevance of the Tiebout Hypothesis." *Journal of Regional Analysis and Policy*, 2016, 46(1), 72–94; and Stohs, Mark Hoven; Childs, Paul; and Stevenson, Simon. "Tax Policies and Residential Mobility." *International Real Estate Review*, 2001, 4(1), 95–117.

3. In 2015 in St. Louis City and Kansas City, 10.3 percent and 8.4 percent of government revenue from own sources was from property taxes, 28.7 percent and 19.7 percent was from sales/gross receipts taxes, and 19.7 percent and 15.5 percent was from income/payroll taxes, respectively. These figures are from the Lincoln Institute for Land Policy's FiSC Database, which provides standardized revenue and spending data for more than 200 cities. The estimates in the FiSC database account for differences in the local government services that are provided by cities and overlying entities such as school districts, which are sometimes part of a city government's budget. As such, they do not necessarily line up with the cities' own accounting. The values for the United States are from the Census Bureau's Annual Survey of State and Local Government Finances, 2015, Table 1. Nationally, in 2015, 46.5 percent of local government revenue from own sources was from property taxes, 11.3 percent was from sales/gross receipts taxes, and 3.2 percent was from taxes on individual income.

4. For a discussion of the differences in taxes and spending for the two cities relative to some peers, see Tsapelas, Elias. "Breaking Down Expenses and Revenues: Kansas City and St. Louis Compared to Six Other Cities." Show-Me Institute Essay, May 2019.

5. For a discussion, see Glaeser, Edward. "Viewpoint: Triumph of the City." *Journal of Transport and Land Use*, 5(4), 2013, 1–4.

6. Note that the 2020 ACS was not released because of the COVID-19 pandemic.

7. Employment data from the Bureau of Labor Statistics' Household Survey is available for cities with population greater than 25,000. As there was no corresponding population data for these cities, I chose to use the ACS data, despite there being fewer observations for employment.

8. Tax Foundation, *Local Income Taxes in 2019*, https://taxfoundation.org/publications/local-income-taxes.

9. Note that some cities levy different tax rates on residents and nonresidents who work in the city. As a practical matter, there are too few such cities in the dataset to obtain useful estimates. The general results for St. Louis and Kansas City are not affected either way, so I have not included this consideration in my model.

10. Data for the agglomeration variables and *manufsharei* are 1-year estimates from the ACS.

11. The regional groupings from the Bureau of Economic Analysis (BEA) were used to determine a city's region.

12. The database is available at https://willamette.edu/mba/research-impact/public-datasets/index.html.

13. That is, the version of the model with the variable scores worse on all goodness-of-fit measures. To illustrate the statistical irrelevance of this variable, an appendix provides the results using the smaller data set when it is included.

14. County population data are from the Census Bureau's Annual Estimates of the Resident Population: April 1, 2010, to July 1, 2019. Metro household employment by intrastate portions is available from the Local Area Unemployment Statistics produced by the Bureau of Labor Statistics.

15. Wall, Howard J. "Is Growth in Outstate Missouri Tied to Growth in the St. Louis and Kansas City Metro Areas?" Show-Me Institute Essay, June 2023. I did not, however, find links from the Kansas City metro or outstate Missouri to elsewhere in the state.

16. This number is obtained using the 2019 statewide employment-to-population ratio of 45.3 percent.

17. For discussions of how St. Louis and Kansas City can convert their tax systems to ones that are more reliant on property taxes, see Haslag, Joseph. "How to Replace the Earnings Tax in St. Louis." Show-Me Institute Policy Study, January 2007 and Haslag, Joseph. "How to Replace the Earnings Tax in Kansas City." Show-Me Institute Policy Study, January 2007.

APPENDIX: IRRELEVANCE OF PER-CAPITA TAX REVENUE

Population Growth

Independent variable	Coefficient	Std. error	t–statistic
Intercept (α)	16.054*	1.700	9.44
Per capita tax revenue	0.148	0.356	0.42
Earnings tax rate (β)	–4.868*	1.273	–3.82
Earnings tax × share of metro area population (γ)	0.097*	0.048	2.01
Difference between city and central–city earnings tax rates (δ)	1.725*	0.787	2.19
Population (millions, λ)	–0.567	2.487	–0.23
Population density (people per square mile, ρ)	–0.001*	0.000	–5.92
Population × population density (κ)	0.000	0.000	1.07
Share of metro area population (percent, θ)	–0.116*	0.025	–4.70
Manufacturing share of payroll employment (percent, σ)	–0.306*	0.080	–3.81
Southeast region dummy (ω)	1.311	1.074	1.22
Southwest region dummy (κ)	6.708*	1.674	4.01
R^2=0.237	number of observations=458		

Standard errors are adjusted to account for heteroskedasticity. A "*" or a "†" indicate statistical significance at the 5 or 10 percent level, respectively.

Employment Growth

Independent variable	Coefficient	Std. error	t–statistic
Intercept (α)	23.298*	2.435	9.57
Per capita tax revenue	0.101	0.456	0.22
Earnings tax rate (β)	–4.069*	1.802	–2.26
Earnings tax × share of metro area population (γ)	0.107†	0.063	1.69
Difference between city and central–city earnings tax rates (δ)	1.337	0.909	1.47
Population (millions, λ)	3.955	3.569	1.11
Population density (people per square mile, ρ)	–0.001*	0.000	–2.00
Population × population density (κ)	0.000	0.000	0.03
Share of metro area population (percent, θ)	–0.138*	0.035	–3.89
Manufacturing share of payroll employment (percent, σ)	–0.159	0.131	–1.21
Southeast region dummy (ω)	0.819	1.758	0.47
Southwest region dummy (κ)	4.642*	1.982	2.34
R^2=0.075	number of observations=458		

Standard errors are adjusted to account for heteroskedasticity. A "*" or a "†" indicates statistical significance at the 5 or 10 percent level, respectively.

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CITY OF ST. LOUIS

EARNINGS TAX DISCUSSION

October, 2023

Background

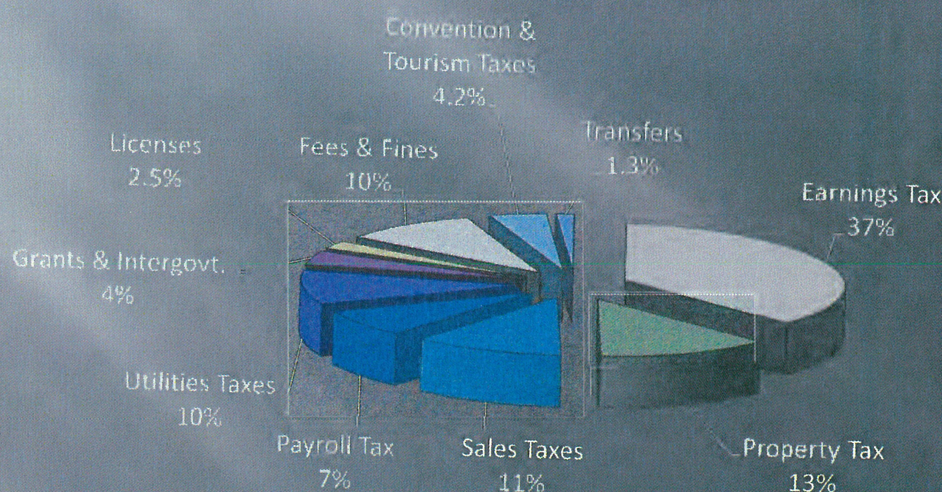
- In November, 2010, voters in Missouri passed a state law requiring that for the Earnings Tax to continue it would need approval by local referendum every five years. If not successfully passed, the tax would be phased out over a ten year period. There have been three retention votes since that time in the City of St. Louis. City voters approved retention by 88% in 2011, 72% in 2016 and 79% in 2021.

- The next retention vote will be due in 2026.

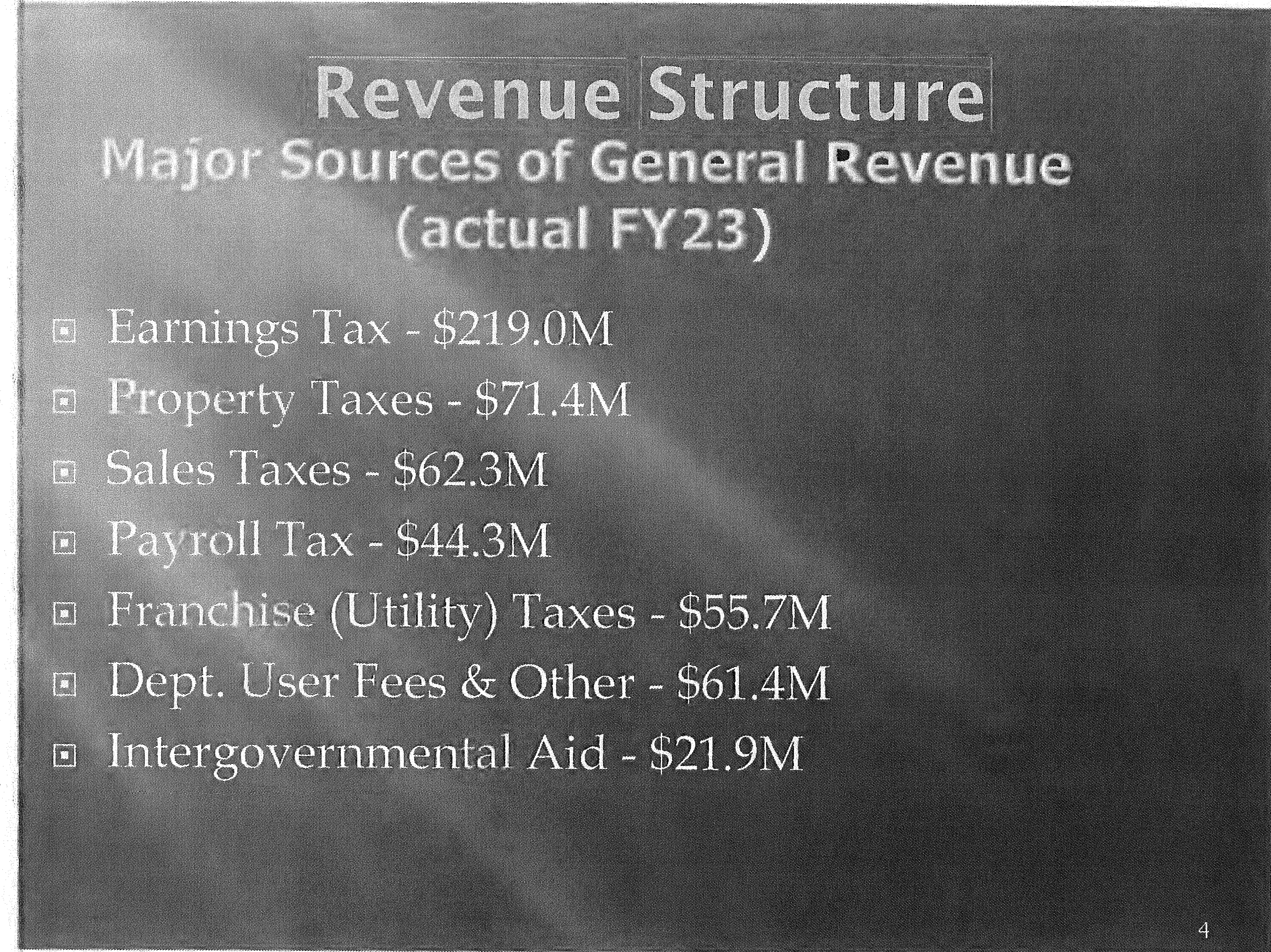
- The following is a discussion of how City revenue in general is structured and of the role of the Earnings Tax in particular

Revenue Structure

Typical of most large municipalities, City revenues are comprised of a mix of taxes, licenses and fees.



Total General Fund Revenues = $566.9M


Revenue Structure
Major Sources of General Revenue
(actual FY23)
Earnings Tax - $219.0M
Property Taxes - $71.4M
Sales Taxes - $62.3M
Payroll Tax - $44.3M
Franchise (Utility) Taxes - $55.7M
Dept. User Fees & Other - $61.4M
Intergovernmental Aid - $21.9M
4

Revenue Structure

- Goal of revenue structure is to maintain a diverse base that grows with economy at a rate sufficient to maintain City services

Revenue Structure

- Desirable characteristics for individual revenues include:
  - Equity and fairness: (e.g. not imposed most heavily on those least able to pay, incurred by users of services, residents and non-residents, etc.)
  - Ability to grow with economy
  - Reasonableness in relation to impact on economic activity
  - Ease of enforcement and collection

Revenue Structure

- Approx. 80% of City general revenue is distributed among five top sources
- Each has strengths and weaknesses in meeting desirable characteristics
- Collectively represents a diverse base that grows modestly with economy and distributes tax burden among those that benefit from City services

Revenue Structure

City Services Have a Regional Reach

- Home to major sports venues, Busch Stadium, Dome at America's Center, Enterprise Center, Citypark soccer stadium
- Arch and Riverfront
- Forest Park
- Zoo / Art Museum / History Museum / Science Center and Botanical Garden
- Grand Center and other performing art venues
- Convention Center

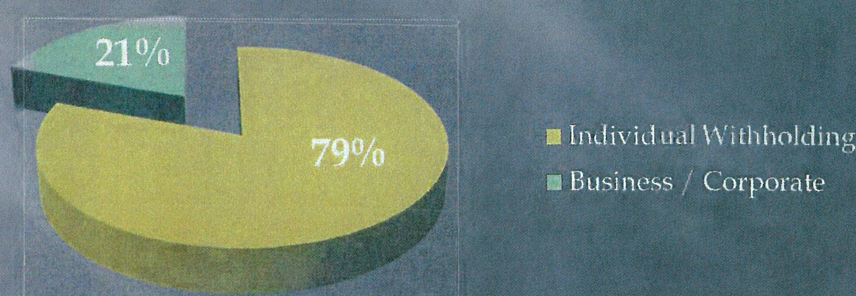
City Earnings Tax

- Current Rate imposed in 1959
- Individual tax of 1% of earnings of residents and non-residents of the City for work done or for services performed in the City
- Corporate tax of 1% of net business profits from City businesses or business conducted in the City

City Earnings Tax

- Individual earnings tax equal to just under 80% of total earnings tax receipts

Earnings Tax Receipts By Category



City Earnings Tax

- Other Major Cities Imposing Earnings and/or Income Taxes:

- Baltimore
- Cincinnati
- Cleveland
- Columbus
- Louisville
- Kansas City
- New York
- Pittsburgh
- Philadelphia

City Earnings Tax

- Growth rate over 3 year, 5 year and 10 year is more consistent than property and sales taxes.

Growth Rates	3yr.	5yr.	10yr.
Earnings Tax	7.6%	4.7%	3.8%
Property Tax	3.7%	3.1%	2.5%
Sales Tax	5.5%	2.9%	2.7%

City Earnings Tax

- As the largest source of general revenue ($219M in FY23) the earnings tax provides the most funds for City services.

- More than:
  - The total FY24 general fund budget of the Police Dept. @ $164.4M

City Earnings Tax

- Or about the equivalent to the combined costs of these services:

  - o Fire Department - $74.1M
  - o Corrections & Juvenile Detention - $53.3M
  - o Circuit Court / Circuit Atty./Sheriff - $33.3M
  - o Forestry Div. trimming / weed & debris - $9.3M
  - o Park Maintenance - $10.6M
  - o Street Maintenance & Repair - $9.7M
  - o Traffic and Street Lighting - $11.7M
  - o Equipment service vehicle maint./repair - $19.4M

Property Tax As Replacement?

- Est. Earnings Tax Receipts (FY24 est.) (A) $207,829,000
- Estimated Property Tax Revenues (incl. City, schools, library, zoo/museum, etc.) (B) $385,748,340 (2022 rate)
- City Property Tax Rate* per $100 AV (C) $8.2661
  *City portion (excl. debt) = $1.4712
- Additional Rate to Compensate for Earnings Tax A / (B/C) = $4.454
- Would exceed current statutory cap – of $1.49 limit

Property Tax As Replacement?

	Homeowner #1	Homeowner #2	Business
			
Appraised Real Prop Value	$100,000	$200,000	$800,000
Appraised Personal Property Value(s)	$15,000	$35,000	$120,000
Current Tax Burden (2022)	$1,983	$4,105	$24,464
New Total With Tax Increase	$3,052	$6,316	$37,646
Additional Property Taxes	**$1,069**	**$2,212**	**$13,182**
Tax % Increase	53.9%	53.9%	53.9%

Sales Tax As Replacement?

- The sales tax is similarly restricted as City's current rate reflects most sales tax options
- Historically weaker growth rate
- Regressive nature of sales tax

Sales Tax As Replacement?

Current Sales Tax Rate In City	
State:	4.225%
Board Of Education:	0.666%
City	
General Fund (1 & 3/8 cent)	1.375%
Capital Fund (1/2 Cent)	0.500%
Transportation (Metro 1/2 & 1/4 cent)	1.000%
Regional Parks (1/10 & 3/16 cent)	0.288%
Local Parks (1/8 cent)	0.125%
Public Safety (two 1/2 cents)	1.000%
Economic Dev. (1/2 cent)	0.500%
	4.788%
Total Current Rate	**9.679%**
Est. Earnings Tax Receipts	$207,829,000
Est. Receipts - 1 Cent Sales Tax & Use Tax	$56,165,000
Sales Tax Equiv. - Earnings Tax	3.700%
New Rate With Tax Increase	**13.379%**

Other Considerations

- Credit risks related to uncertainties in revenue stream and continuing need to reauthorize tax (higher borrowing costs?)
- Impact on existing TIF developments
- Existing & continuing budget challenges

A Demographic Understanding of Population Change:

Exploring the Demographic Transformations in Saint Louis and Kansas City

Ness Sándoval
Professor of Demography and Sociology
Saint Louis University

October 30, 2023

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EST. 1818

DEMOGRAPHY 4 DEMOCRACY
EMPOWERING TOMORROW'S DREAMERS WITH KNOWLEDGE TODAY

Four Points

- **Regional Context:**
  A regional perspective is essential for comprehending St. Louis City and Kansas City (e.g., bi-state regions)

- **Regional Trends**:
  The demographic trends in both cities are reflective of broader regional patterns.

- **St. Louis Paradox:**
  St. Louis City exhibits a paradoxical demographic landscape.

- **Distinct Profile**:
  Kansas City boasts a unique demographic profile distinct from St. Louis City.

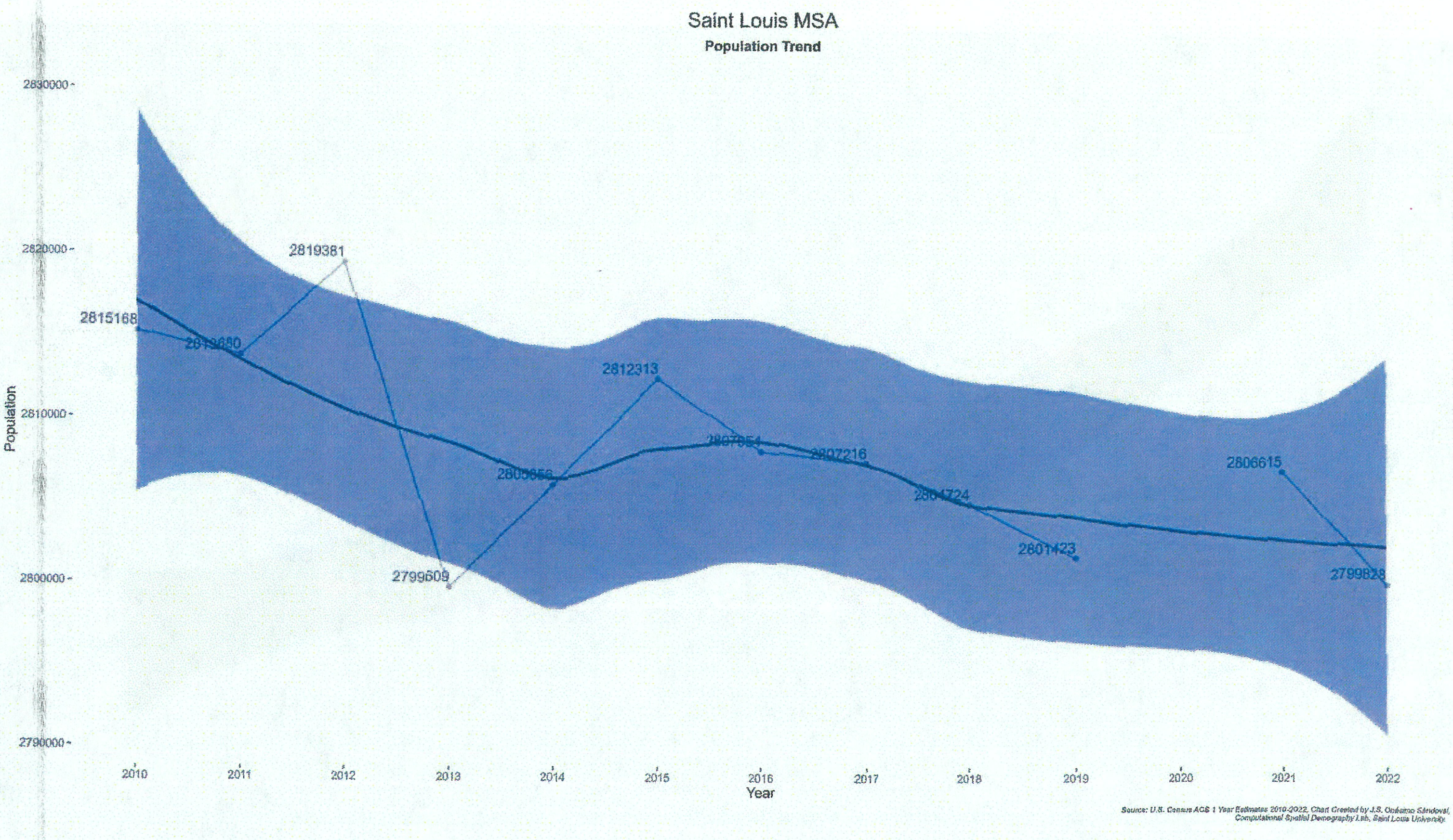
https://www.vogue.com/article/a-guide-to-kansas-city-missouri-its-history-its-culture-and-why-its-worth-a-closer-look

https://www.vogue.com/article/a-guide-to-kansas-city-missouri-its-history-its-culture-and-why-its-worth-a-closer-look

"The fundamental principle of Demography is that demographic transitions are an inevitable aspect of change, persisting irrespective of whether individuals recognize, acknowledge, or accept the underlying demographic realities and trends."

1. Demographic Transitions in the Saint Louis Metropolitan Region

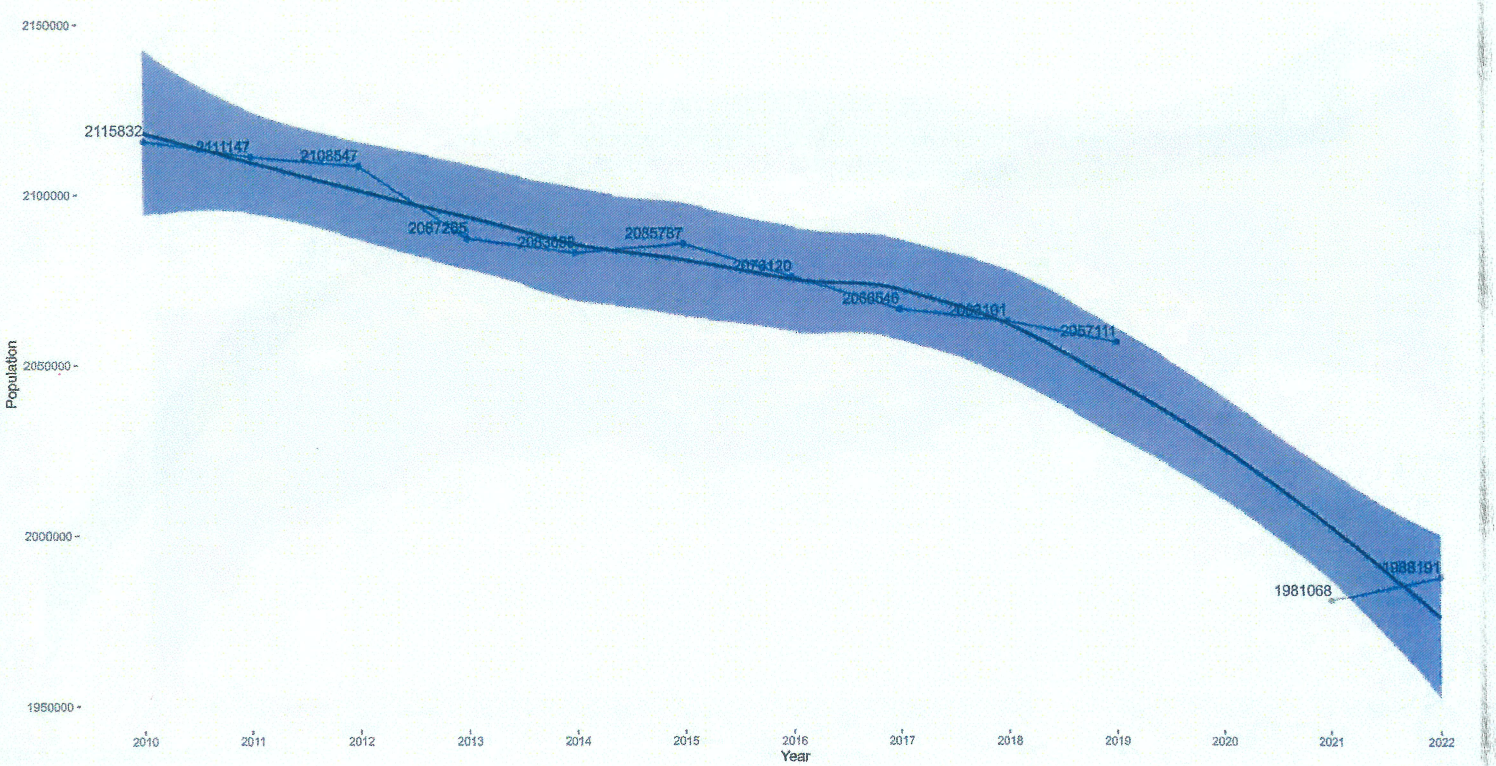
Population Curves – ACS Data and Population Estimates



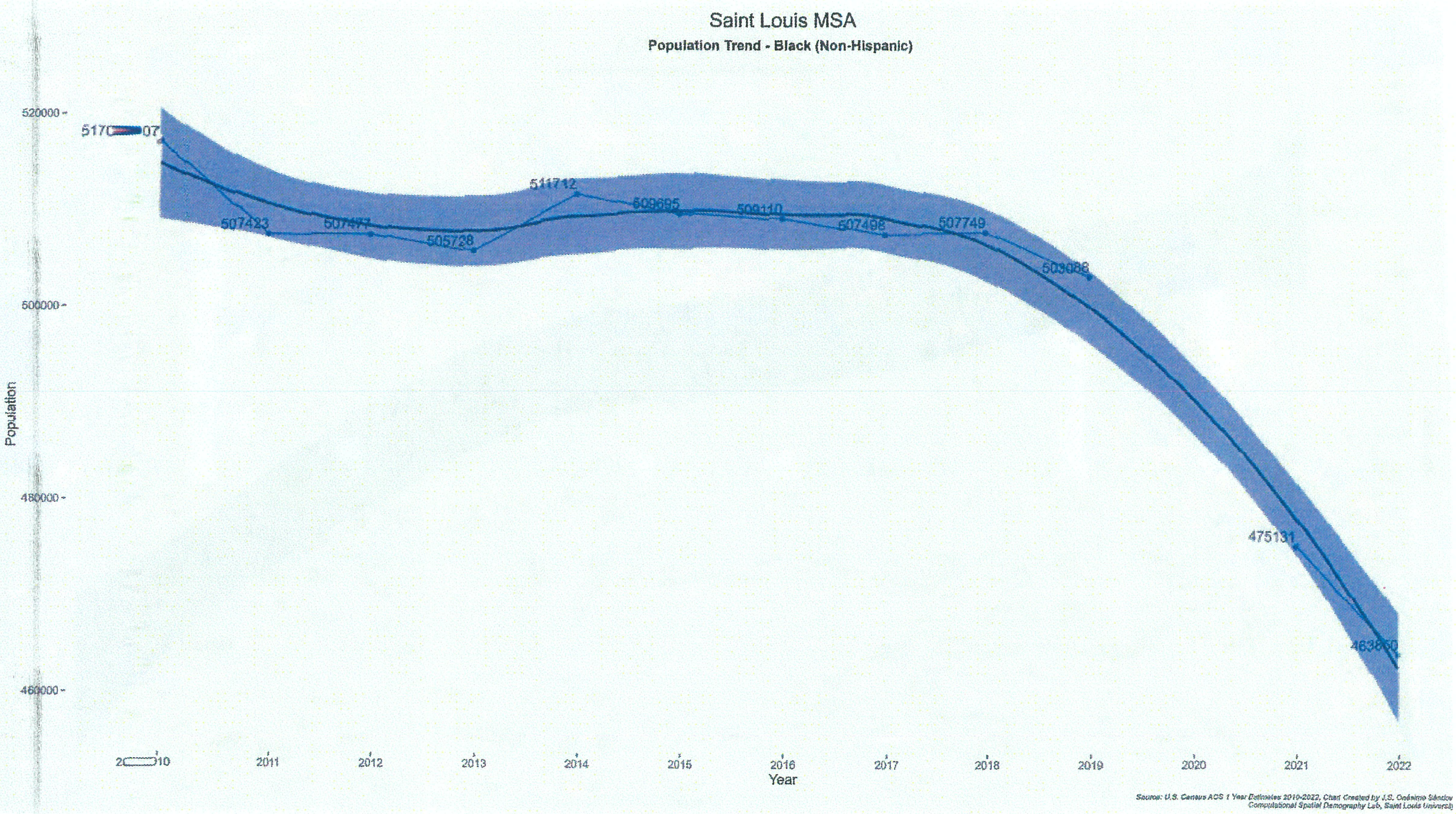
Saint Louis MSA
Population Trend
2830000
2820000
2810000
2800000
2790000
Population
2815168
2819381
2799509
2812313
2807216
2804724
2801423
2806615
2799828
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Year
Source: U.S. Census ACS 1 Year Estimates 2010-2022, Chart Created by J.S. Onésimo Sandoval,
Computational Spatial Demography Lab, Saint Louis University.

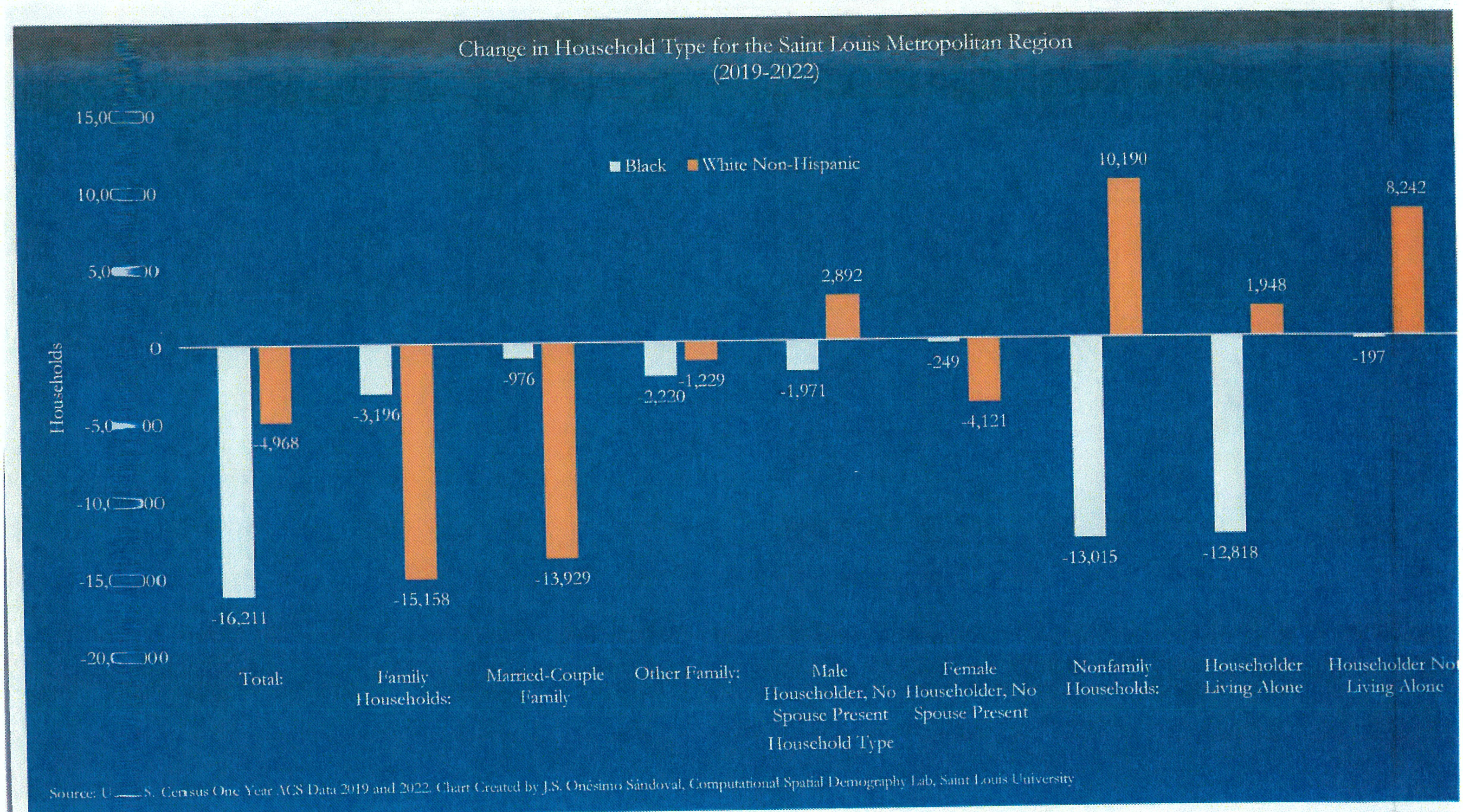
Saint Louis MSA

Population Trend - White (Non-Hispanic)

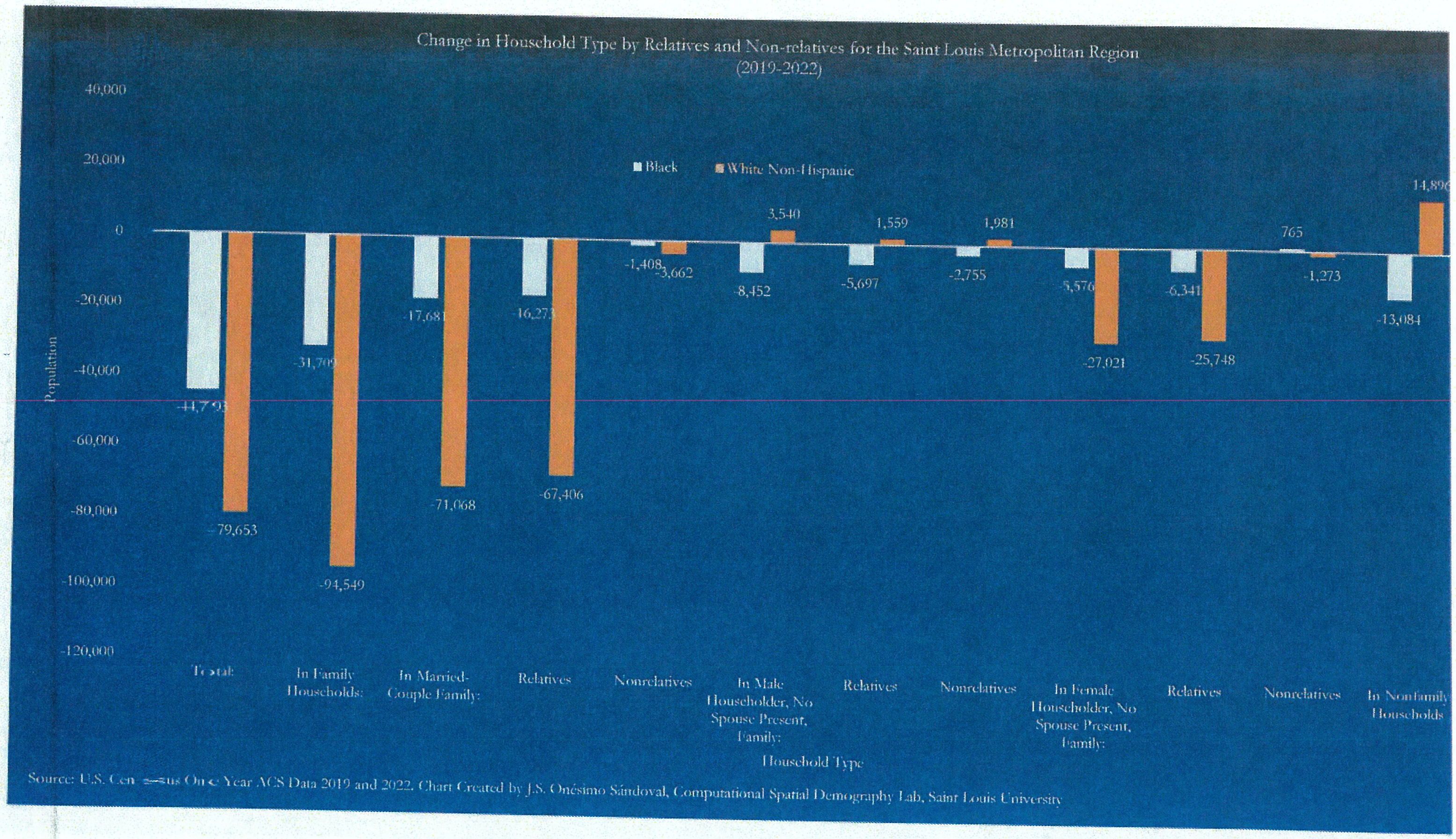


Source: U.S. Census ACS 1 Year Estimates 2010-2022. Chart Created by J.S. Onésimo Sandoval. Computational Spatial Demography Lab, Saint Louis University.


Saint Louis MSA
Population Trend - Black (Non-Hispanic)
520000
500000
480000
460000
Population
511712
509695
509110
507423
507477
505728
507498
507749
503088
475131
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Year
Source: U.S. Census ACS 1 Year Estimates 2010-2022, Chart Created by J.S. Onésimo Sándov
Computational Spatial Demography Lab, Saint Louis Universi

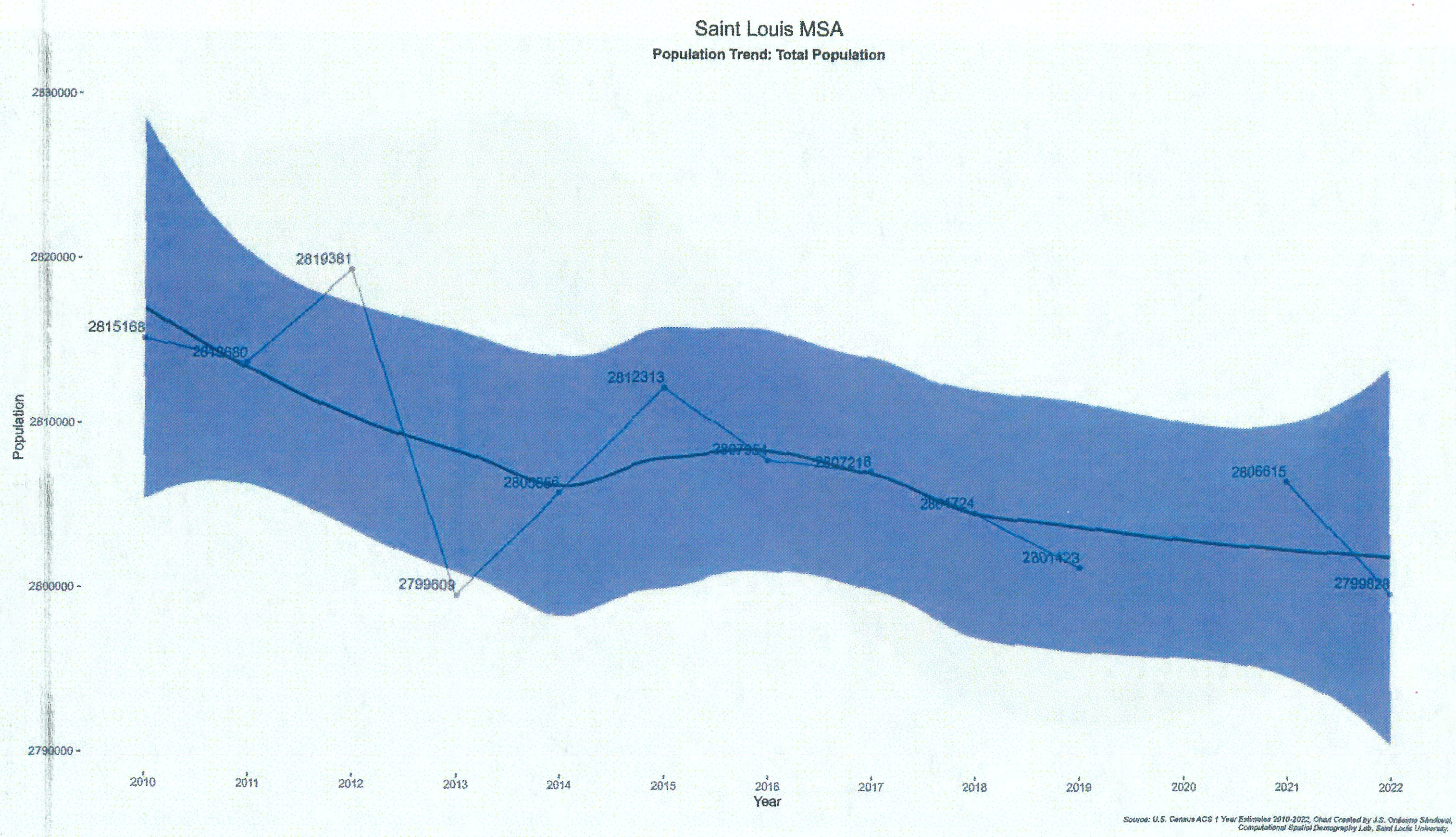


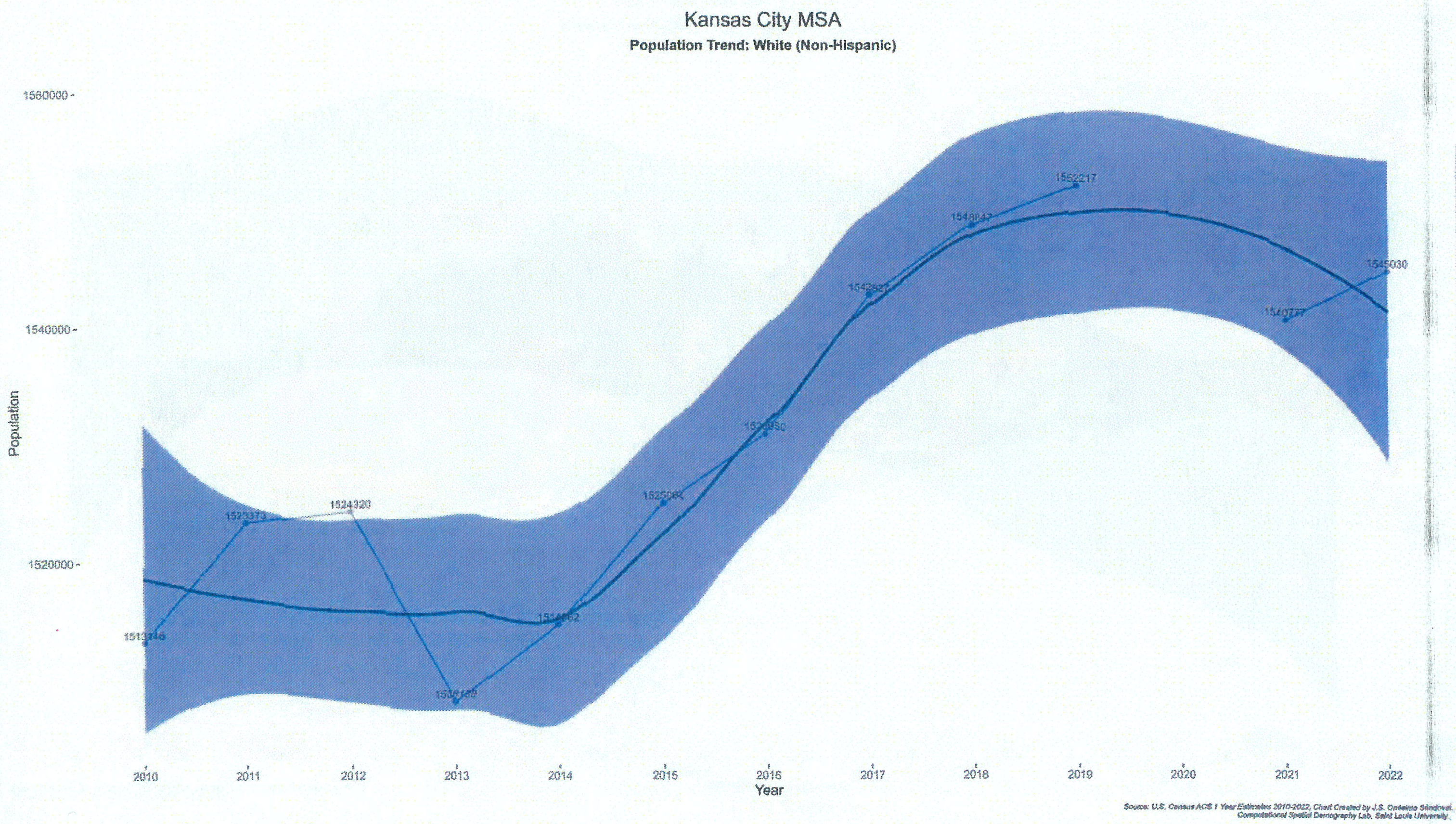
Change in Household Type for the Saint Louis Metropolitan Region
(2019-2022)
Black
White Non-Hispanic
Households
15,000
10,000
5,000
0
-5,000
-10,000
-15,000
-20,000
-16,211
-4,968
-3,196
-15,158
-976
-13,929
-2,220
-1,229
-1,971
2,892
-249
-4,121
-13,015
10,190
-12,818
1,948
-197
8,242
Total:
Family Households:
Married-Couple Family
Other Family:
Male Householder, No Spouse Present
Female Householder, No Spouse Present
Nonfamily Households:
Householder Living Alone
Householder Not Living Alone
Household Type
Source: U.S. Census One Year ACS Data 2019 and 2022. Chart Created by J.S. Onésimo Sándoval, Computational Spatial Demography Lab, Saint Louis University


Change in Household Type by Relatives and Non-relatives for the Saint Louis Metropolitan Region
(2019-2022)
Black
White Non-Hispanic
Population
40,000
20,000
0
-20,000
-40,000
-60,000
-80,000
-100,000
-120,000
Household Type
Total
In Family Households:
In Married-Couple Family:
Relatives
Nonrelatives
In Male Householder, No Spouse Present, Family:
Relatives
Nonrelatives
In Female Householder, No Spouse Present, Family:
Relatives
Nonrelatives
In Nonfamily Households
-44,793
-79,653
-31,709
-94,549
-17,681
-71,068
-16,273
-67,406
-1,408
-3,662
-8,452
3,540
-5,697
1,559
-2,755
1,981
-5,576
-27,021
-6,341
-25,748
765
-1,273
-13,084
14,896
Source: U.S. Census One Year ACS Data 2019 and 2022. Chart Created by J.S. Onésimo Sándoval, Computational Spatial Demography Lab, Saint Louis University

2. Demographic Transitions in the Kansas City Metropolitan Region

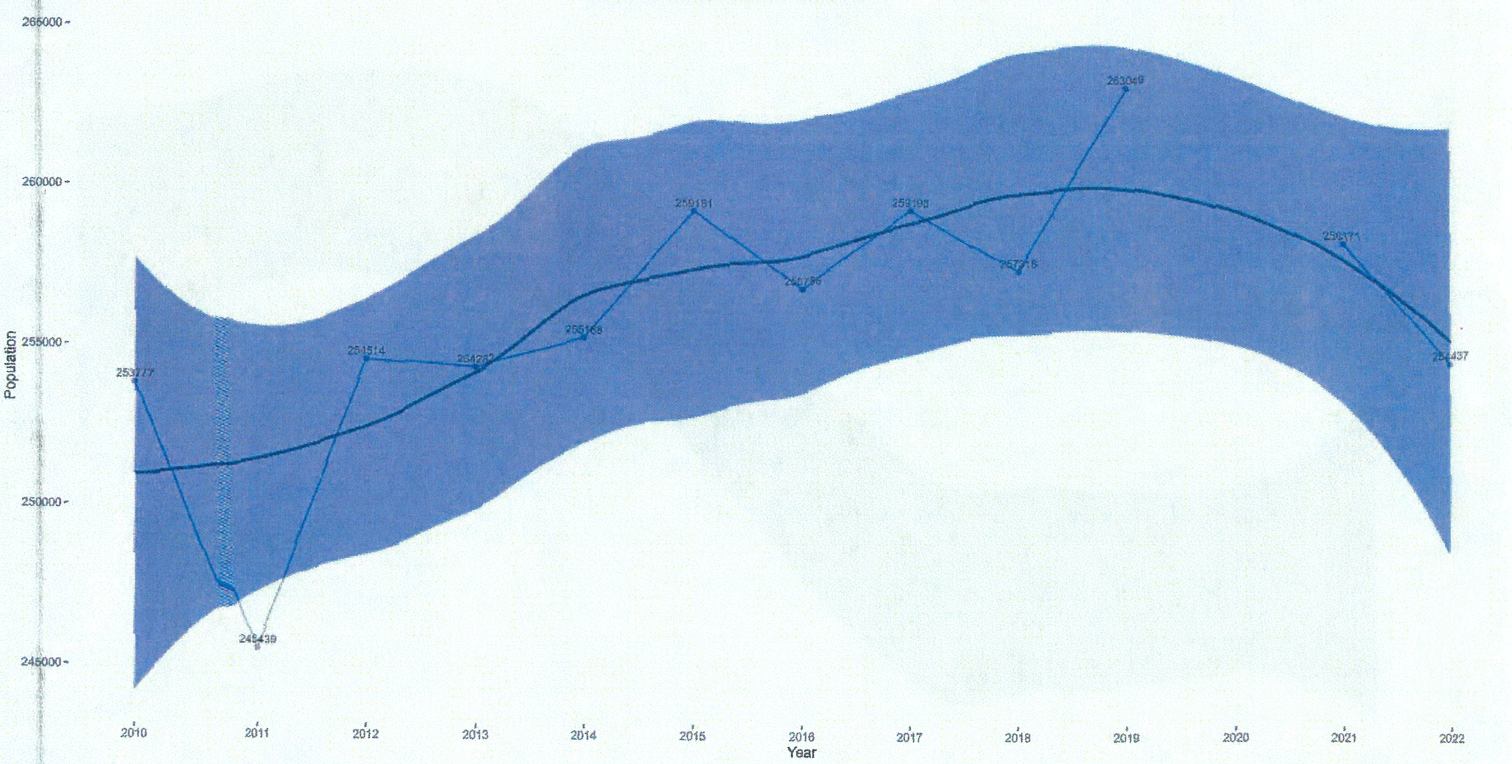
Population Curves – ACS Data and Population Estimates


Saint Louis MSA
Population Trend: Total Population
2830000
2820000
2810000
2800000
2790000
Population
2815168
2819381
2799609
2812313
2807218
2801423
2806615
2799828
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Year
Source: U.S. Census ACS 1 Year Estimates 2010-2022, Chart Created by J.S. Onésimo Sandoval,
Computational Spatial Demography Lab, Saint Louis University.

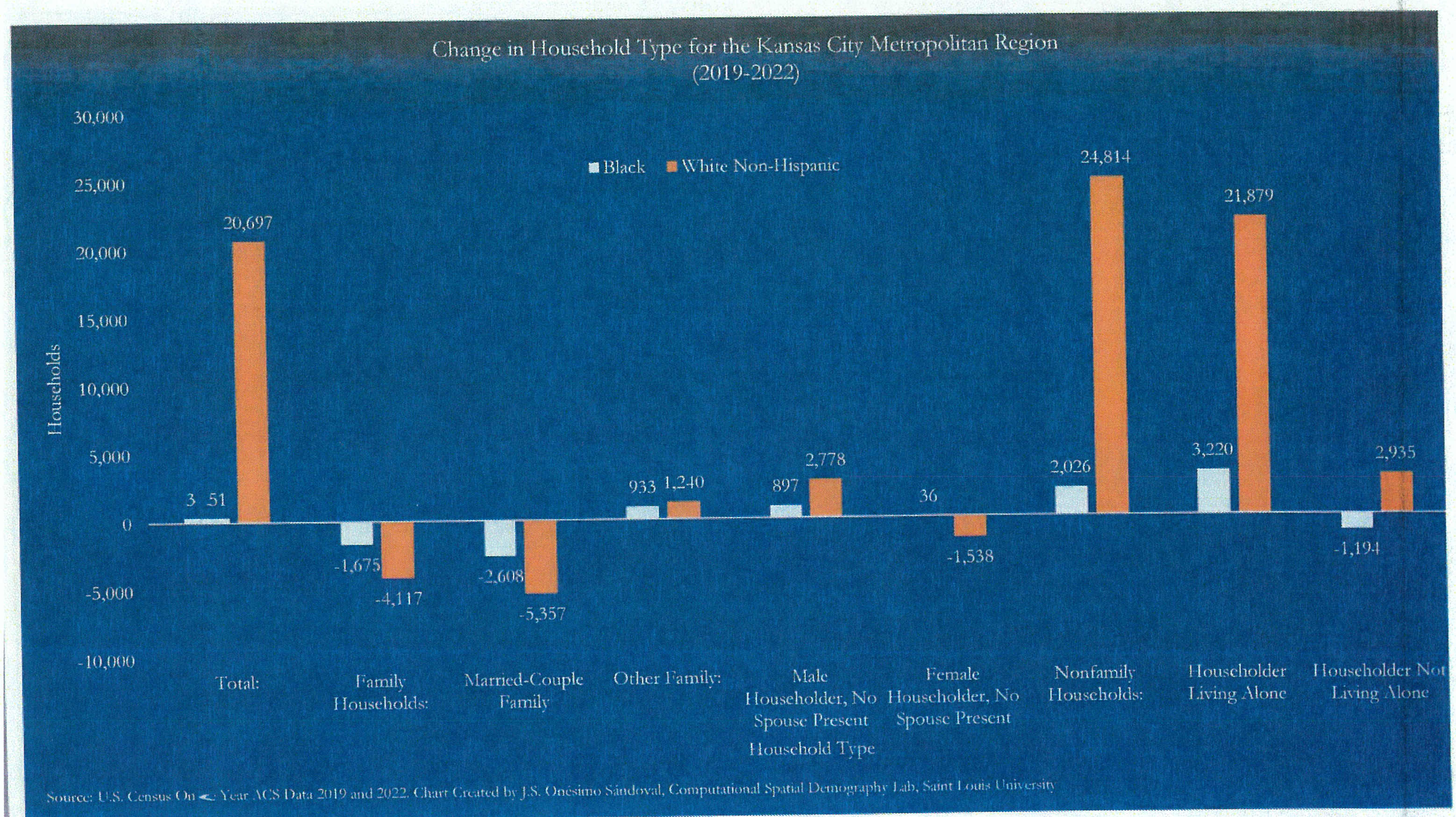

Kansas City MSA
Population Trend: White (Non-Hispanic)
1560000
1540000
1520000
Population
1523373
1524320
1552217
1540777
1545030
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Year
Source: U.S. Census ACS 1 Year Estimates 2010-2022, Chart Created by J.S. Onésimo Sandoval.
Computational Spatial Demography Lab, Saint Louis University.

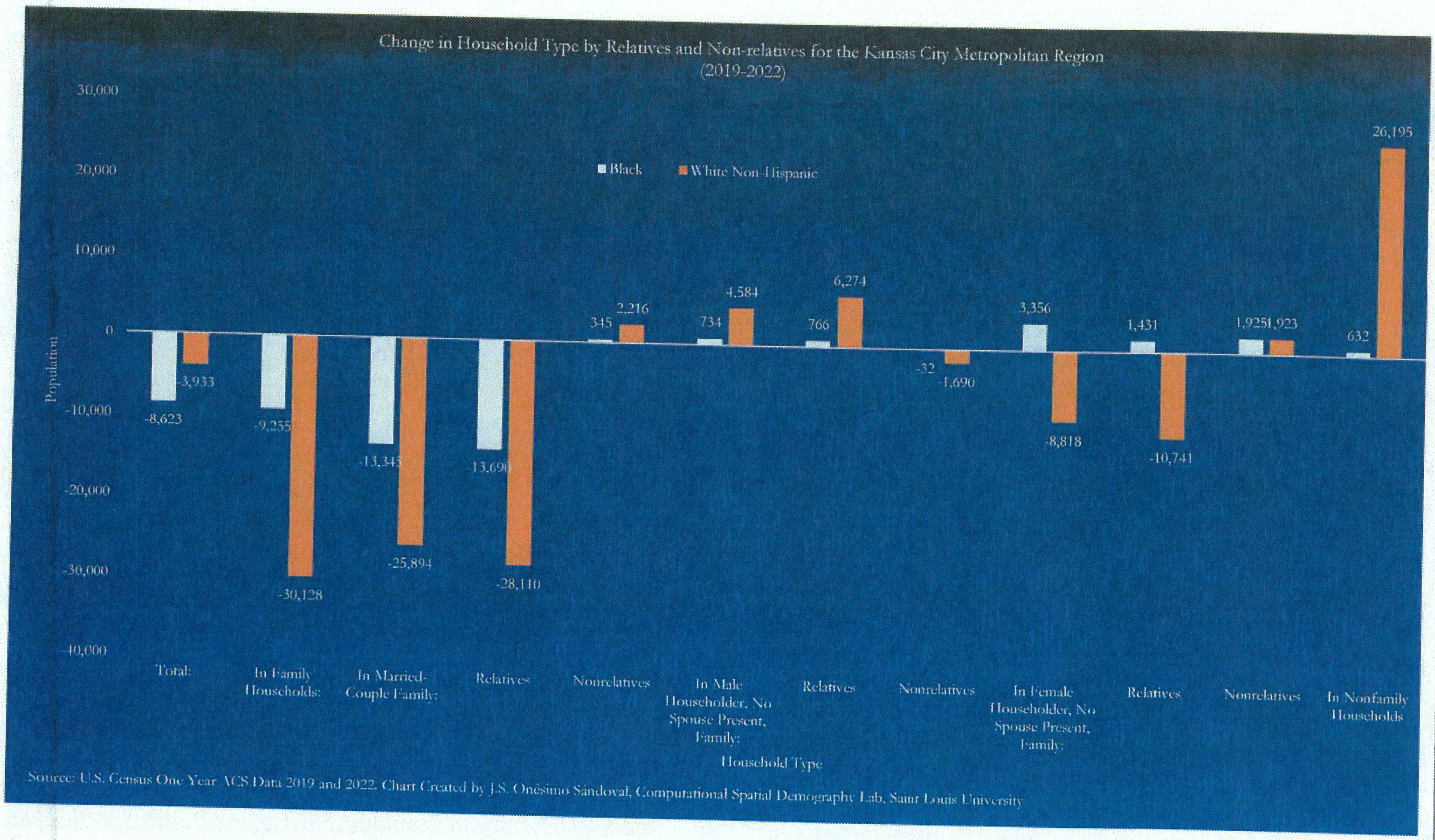
Kansas City MSA

Population Trend: Black (Non-Hispanic)



Source: U.S. Census ACS 1 Year Estimates 2010-2022, Chart Created by J.S. Onésimo Sandoval, Computational Spatial Demography Lab, Saint Louis University.

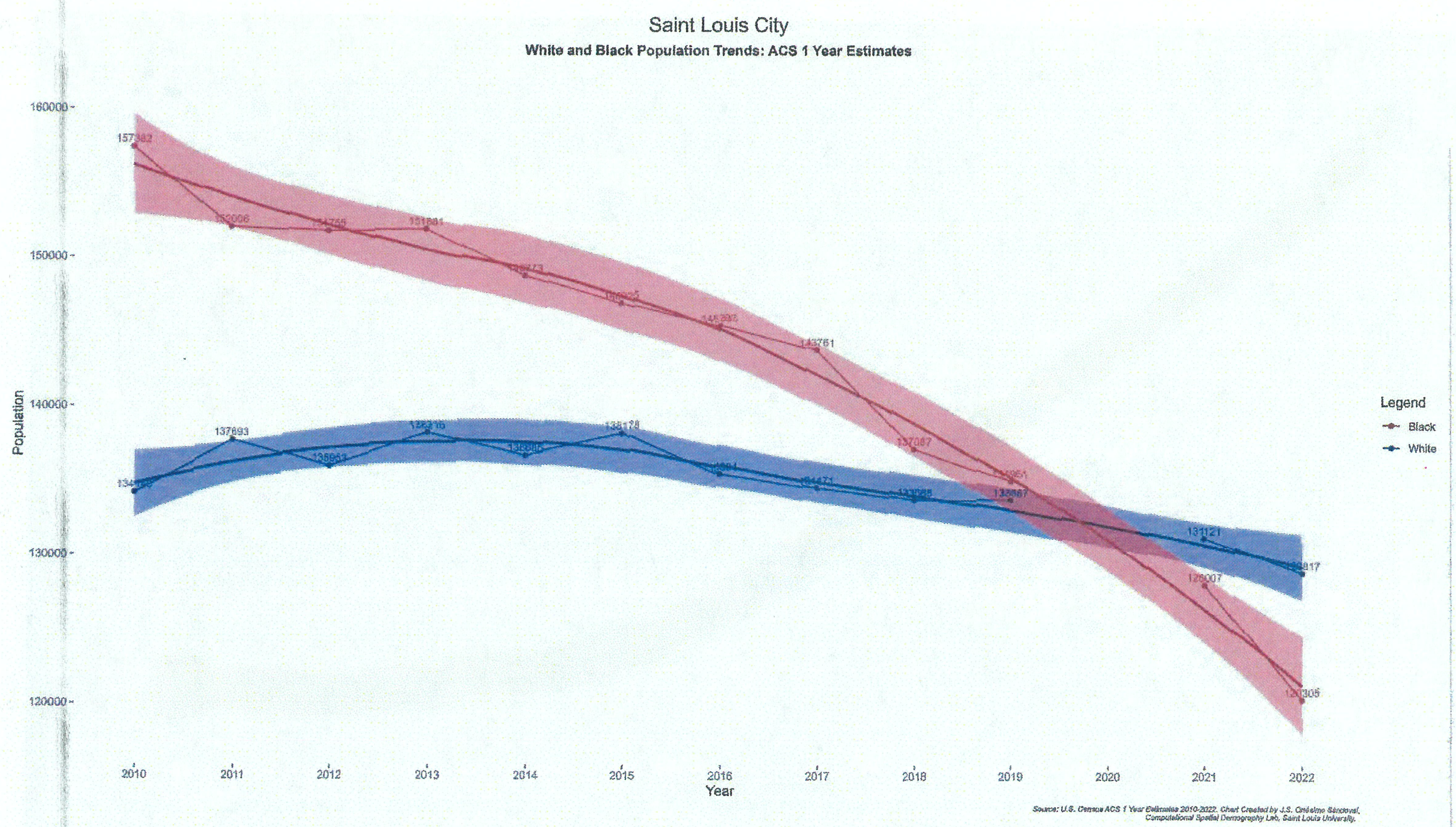

Change in Household Type for the Kansas City Metropolitan Region
(2019-2022)
Black
White Non-Hispanic
Households
30,000
25,000
20,000
15,000
10,000
5,000
0
-5,000
-10,000
3 51
20,697
-1,675
-4,117
-2,608
-5,357
933
1,240
897
2,778
36
-1,538
2,026
24,814
3,220
21,879
-1,194
2,935
Total:
Family Households:
Married-Couple Family
Other Family:
Male Householder, No Spouse Present
Female Householder, No Spouse Present
Nonfamily Households:
Householder Living Alone
Householder Not Living Alone
Household Type
Source: U.S. Census On < Year ACS Data 2019 and 2022. Chart Created by J.S. Onésimo Sandoval, Computational Spatial Demography Lab, Saint Louis University

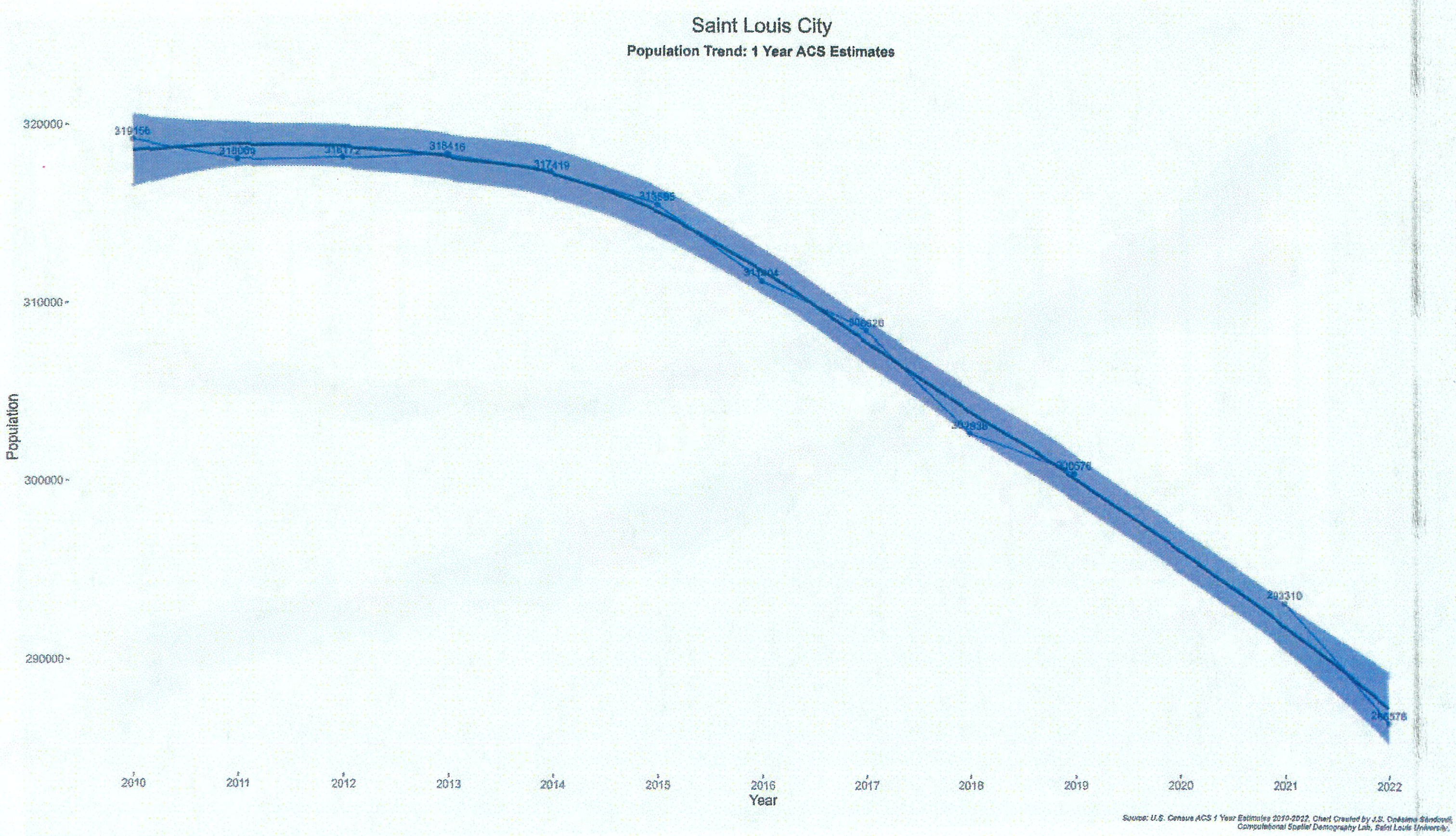


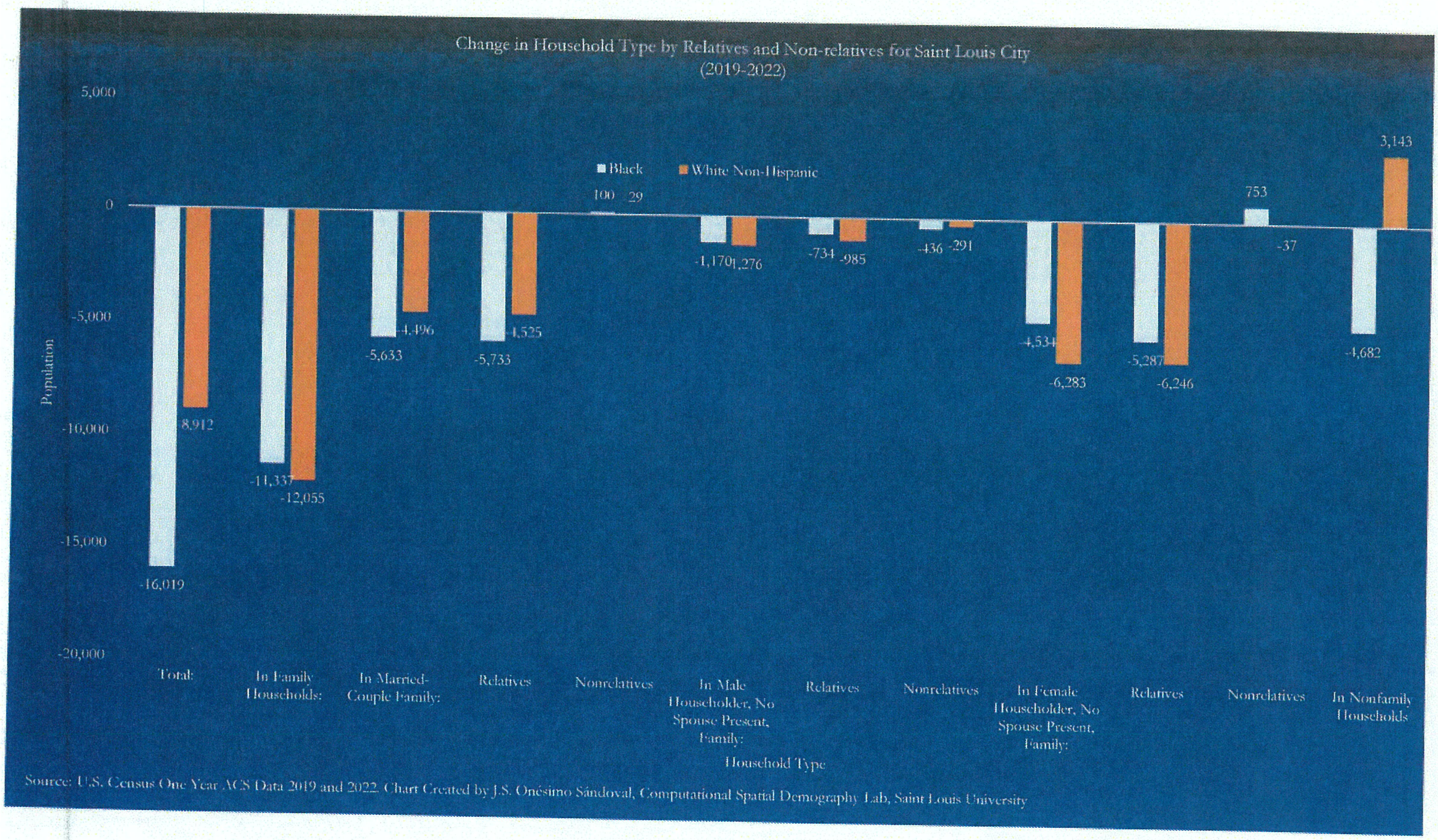
Change in Household Type by Relatives and Non-relatives for the Kansas City Metropolitan Region
(2019-2022)
Black
White Non-Hispanic
Population
30,000
20,000
10,000
0
-10,000
-20,000
-30,000
-40,000
-8,623
-3,933
-9,255
-30,128
-13,345
-25,894
-13,690
-28,110
345
2,216
734
4,584
766
6,274
-32
-1,690
3,356
-8,818
1,431
-10,741
1,925
1,923
632
26,195
Total:
In Family Households:
In Married-Couple Family:
Relatives
Nonrelatives
In Male Householder, No Spouse Present, Family:
Relatives
Nonrelatives
In Female Householder, No Spouse Present, Family:
Relatives
Nonrelatives
In Nonfamily Households
Household Type
Source: U.S. Census One Year ACS Data 2019 and 2022. Chart Created by J.S. Onésimo Sándoval, Computational Spatial Demography Lab, Saint Louis University

3. DEMOGRAPHIC TRANSITIONS IN SAINT LOUIS CITY

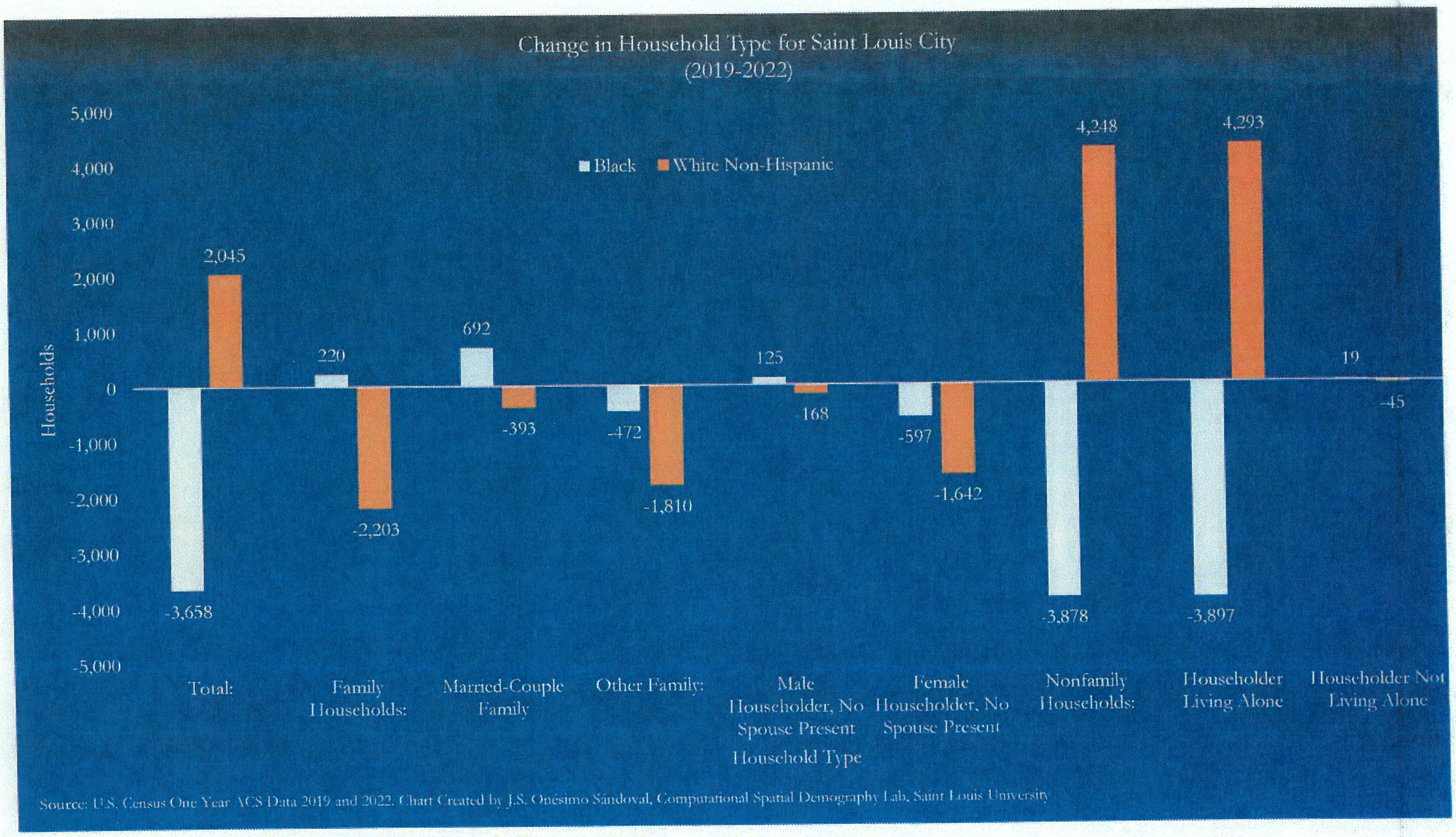
Population Curves – ACS Data and Population Estimates


Saint Louis City
White and Black Population Trends: ACS 1 Year Estimates
Population
160000
150000
140000
130000
120000
Year
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Legend
Black
White
Source: U.S. Census ACS 1 Year Estimates 2010-2022. Chart Created by J.S. Onésimo Sandoval, Computational Spatial Demography Lab, Saint Louis University.

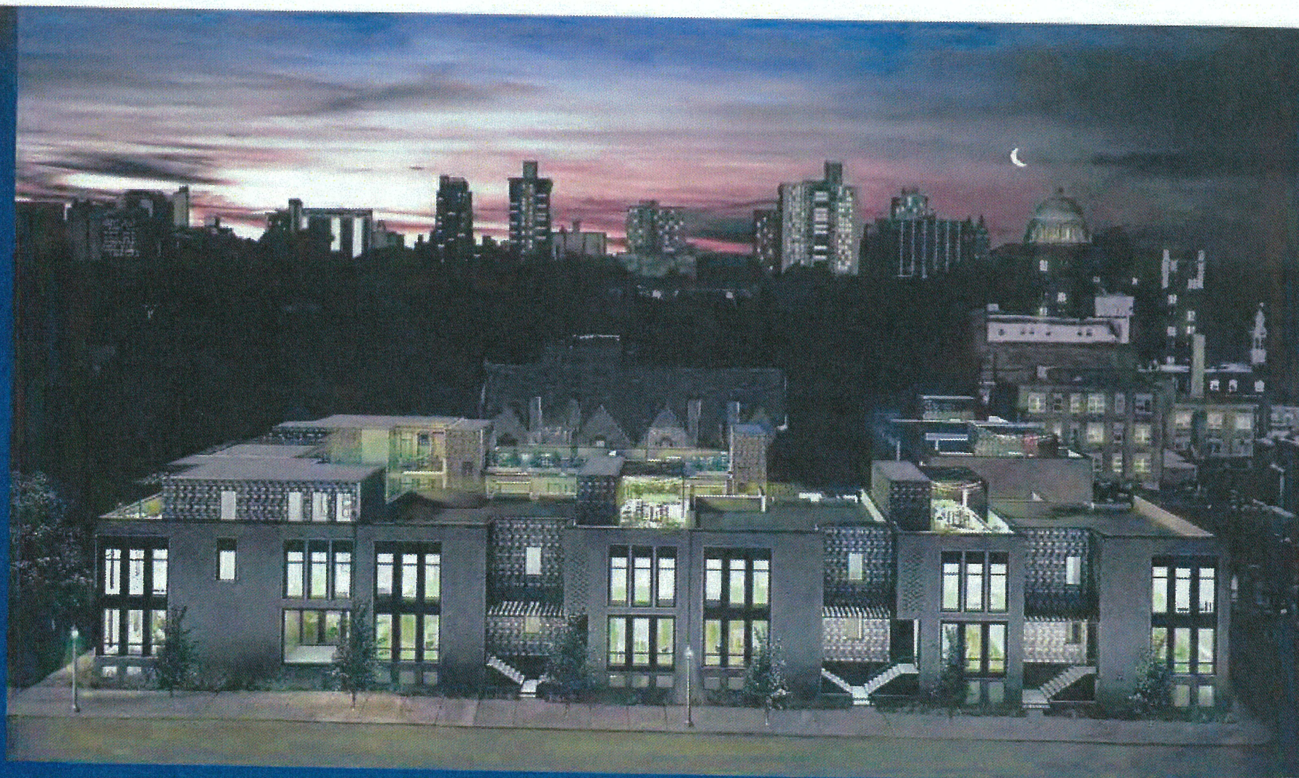

Saint Louis City
Population Trend: 1 Year ACS Estimates
Population
320000
310000
300000
290000
318416
317419
293310
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Year
Source: U.S. Census ACS 1 Year Estimates 2010-2022, Chart Created by J.S. Onésimo Sandoval,
Computational Spatial Demography Lab, Saint Louis University.



Change in Household Type by Relatives and Non-relatives for Saint Louis City
(2019-2022)
Black
White Non-Hispanic
Population
5,000
0
-5,000
-10,000
-15,000
-20,000
-16,019
-8,912
-11,337
-12,055
-5,633
-4,496
-5,733
-4,525
100
29
-1,170
-1,276
-734
-985
-436
-291
-4,534
-6,283
-5,287
-6,246
753
-37
-4,682
3,143
Total:
In Family Households:
In Married-Couple Family:
Relatives
Nonrelatives
In Male Householder, No Spouse Present, Family:
Relatives
Nonrelatives
In Female Householder, No Spouse Present, Family:
Relatives
Nonrelatives
In Nonfamily Households
Household Type
Source: U.S. Census One Year ACS Data 2019 and 2022. Chart Created by J.S. Onésimo Sándoval, Computational Spatial Demography Lab, Saint Louis University



Change in Household Type for Saint Louis City
(2019-2022)
Black
White Non-Hispanic
Households
5,000
4,000
3,000
2,000
1,000
0
-1,000
-2,000
-3,000
-4,000
-5,000
-3,658
2,045
220
-2,203
692
-393
-472
-1,810
125
-168
-597
-1,642
-3,878
4,248
-3,897
4,293
19
-45
Total:
Family Households:
Married-Couple Family
Other Family:
Male Householder, No Spouse Present
Female Householder, No Spouse Present
Nonfamily Households:
Householder Living Alone
Householder Not Living Alone
Household Type
Source: U.S. Census One Year ACS Data 2019 and 2022. Chart Created by J.S. Onésimo Sandoval, Computational Spatial Demography Lab, Saint Louis University

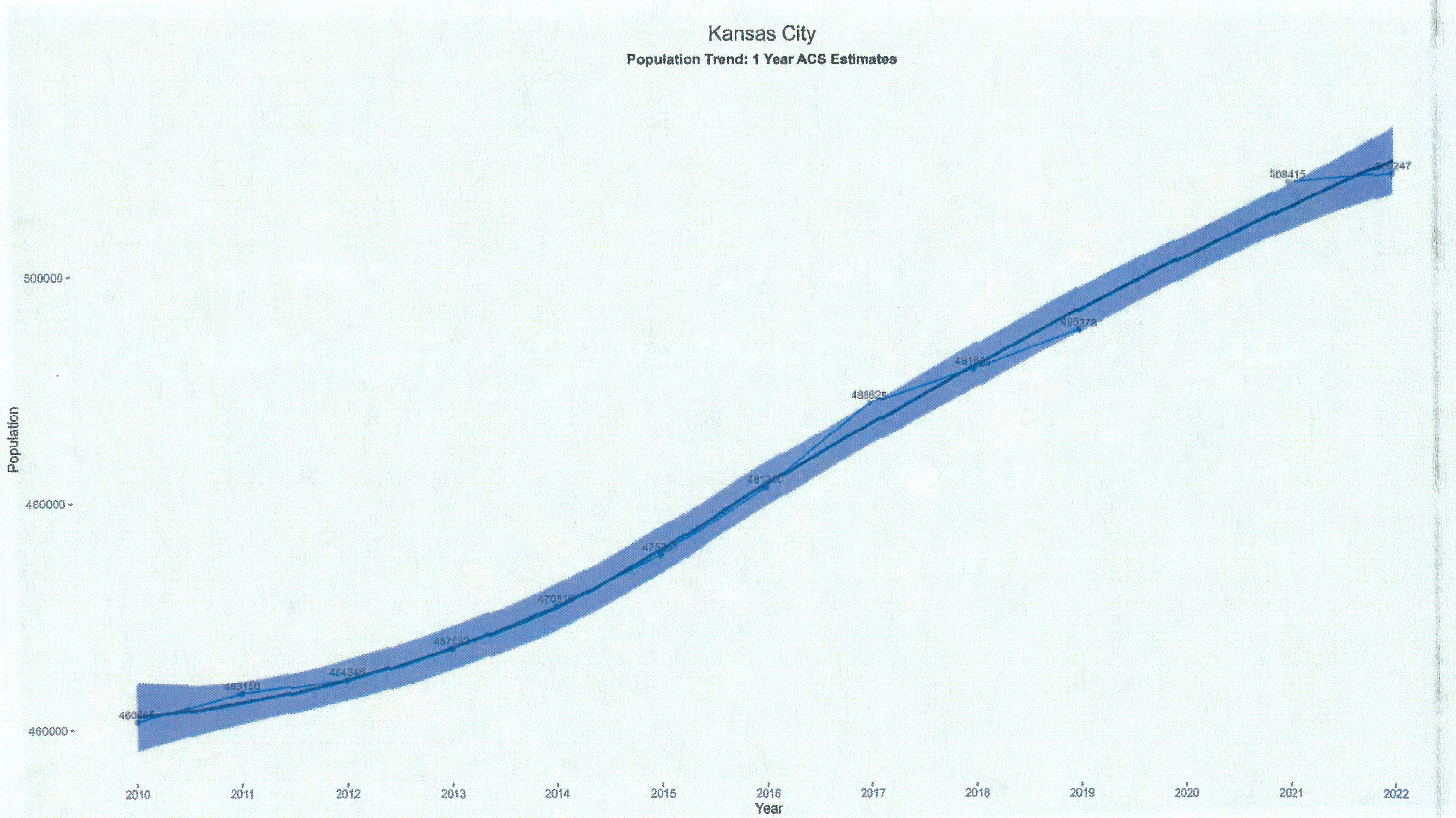


Source: Zillow – Artizén Town Homes – Central West End – Town Homes List for $1.1 million

Source: https://lafayettereserve.com/ - Several homes listed around $800K

4. Demographic Transitions in Kansas City

Population Curves – ACS Data and Population Estimates



Source: U.S. Census ACS 1 Year Estimates 2010-2022, Chart Created by J.S. Onésimo Sandoval, Computational Spatial Demography Lab, Saint Louis University.

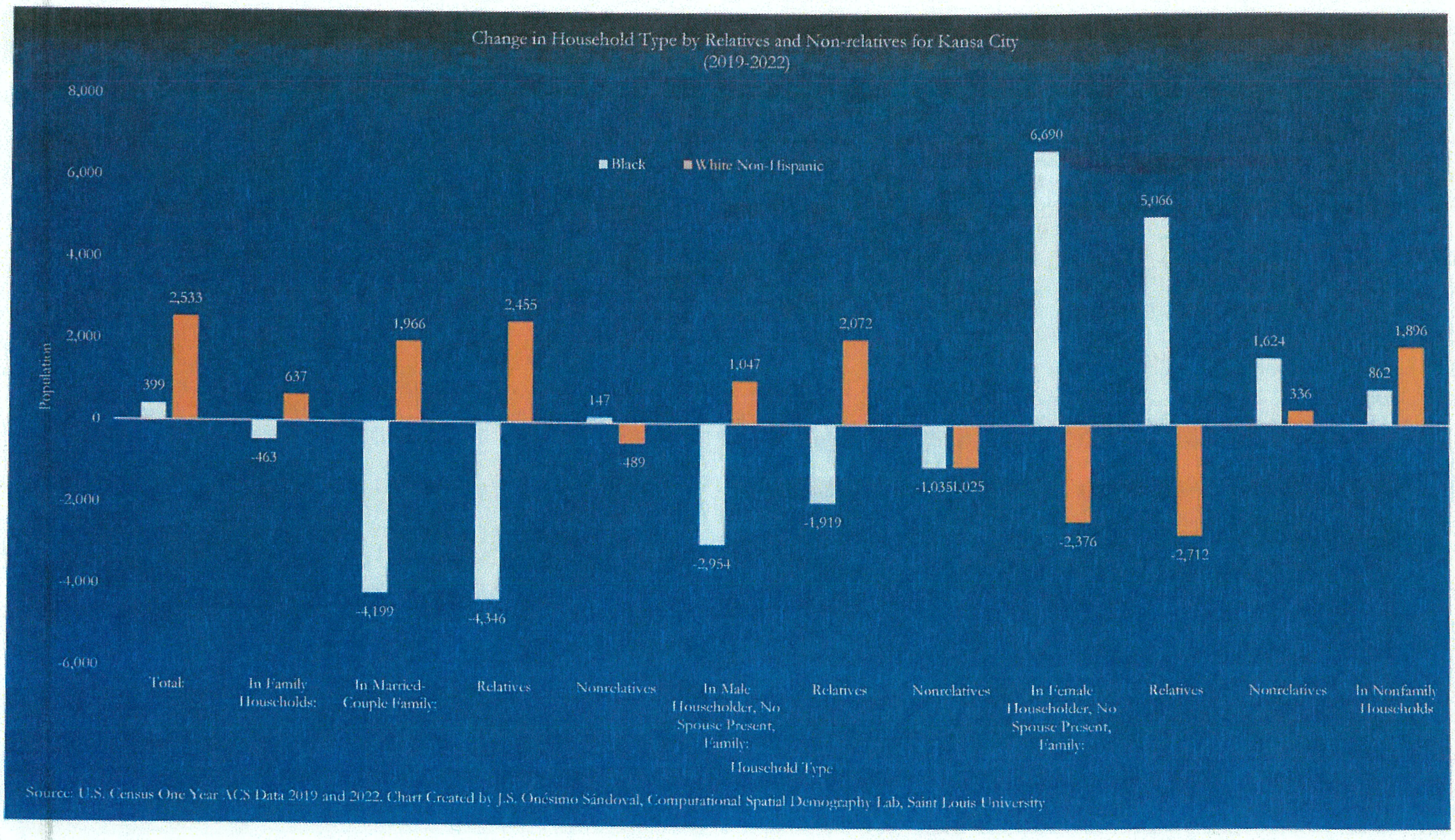
5. Final Comparison

Population and Households

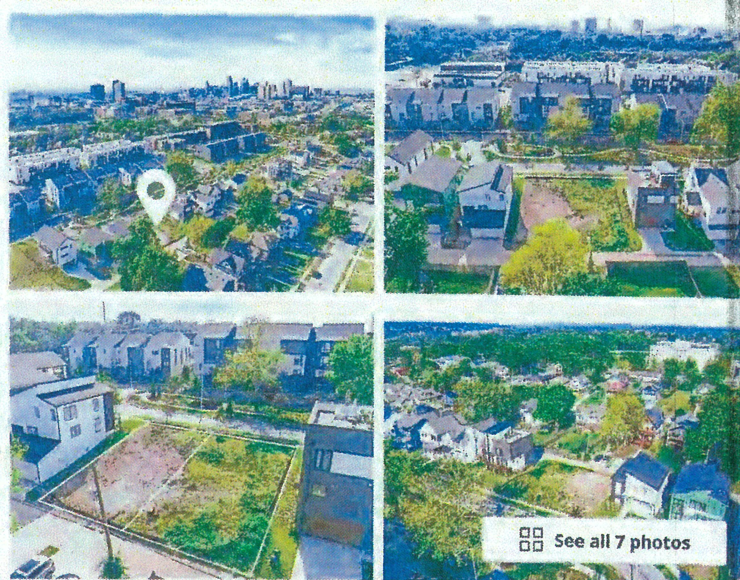
Comparison of Key Demographic Changes for the Saint Louis and Kansas City
(Percentage are of Total Households by People Under 18)

Variable	Area	2019	2022	Change	Percent Change (2019-2022)
Total Population	***Saint Louis City***	***300,576***	***286,578***	***-13,998***	***-4.7%***
	Saint Louis MSA	2,801,423	2,799,828	-1,595	-0.1%
	Kansas City	***495,278***	***509,247***	***13,969***	***2.8%***
	Kansas City MSA	2,155,068	2,209,152	54,084	2.5%
Total Households	***Saint Louis City***	***146,779***	***148,348***	***1,569***	***1.1%***
	Saint Louis MSA	1,145,583	1,168,546	22,963	2.0%
	Kansas City	***209,768***	***227,027***	***17,259***	***8.2%***
	Kansas City MSA	844,310	897,185	52,875	6.3%
Total Households with One or More People Under 18 Years	***Saint Louis City***	***30,849 (21%)***	***26,894 (18%)***	***-3,955***	***-12.8%***
	Saint Louis MSA	324,498 (28%)	326,018 (28%)	1,520	0.5%
	Kansas City	***52,880 (25%)***	***54,593 (24%)***	***1,713***	***3.2%***
	Kansas City MSA	264,827 (31%)	266,339 (30%)	1,512	0.6%
Total Non-Family Households	***Saint Louis City***	***82,465 (56%)***	***83,746 (57%)***	***1,281***	***1.6%***
	Saint Louis MSA	425,125 (37%)	434,797 (37%)	9,672	2.3%
	Kansas City	***99,787 (48%)***	***108,906 (48%)***	***9,119***	***9.1%***
	Kansas City MSA	297,036 (35%)	338,267 (38%)	41,231	13.9%

Source: U.S. Census One Year ACS Data 2019 and 2022. Chart Created by J.S. Onésimo Sándoval, Computational Spatial Demography Lab, Saint Louis University



Change in Household Type by Relatives and Non-relatives for Kansa City
(2019-2022)
Black
White Non-Hispanic
Population
8,000
6,000
4,000
2,000
0
-2,000
-4,000
-6,000
399
2,533
-463
637
-4,199
1,966
-4,346
2,455
147
-489
-2,954
1,047
-1,919
2,072
-1,035
1,025
6,690
-2,376
5,066
-2,712
1,624
336
862
1,896
Total:
In Family Households:
In Married-Couple Family:
Relatives
Nonrelatives
In Male Householder, No Spouse Present, Family:
Relatives
Nonrelatives
In Female Householder, No Spouse Present, Family:
Relatives
Nonrelatives
In Nonfamily Households
Household Type
Source: U.S. Census One Year ACS Data 2019 and 2022. Chart Created by J.S. Onésimo Sándoval, Computational Spatial Demography Lab, Saint Louis University

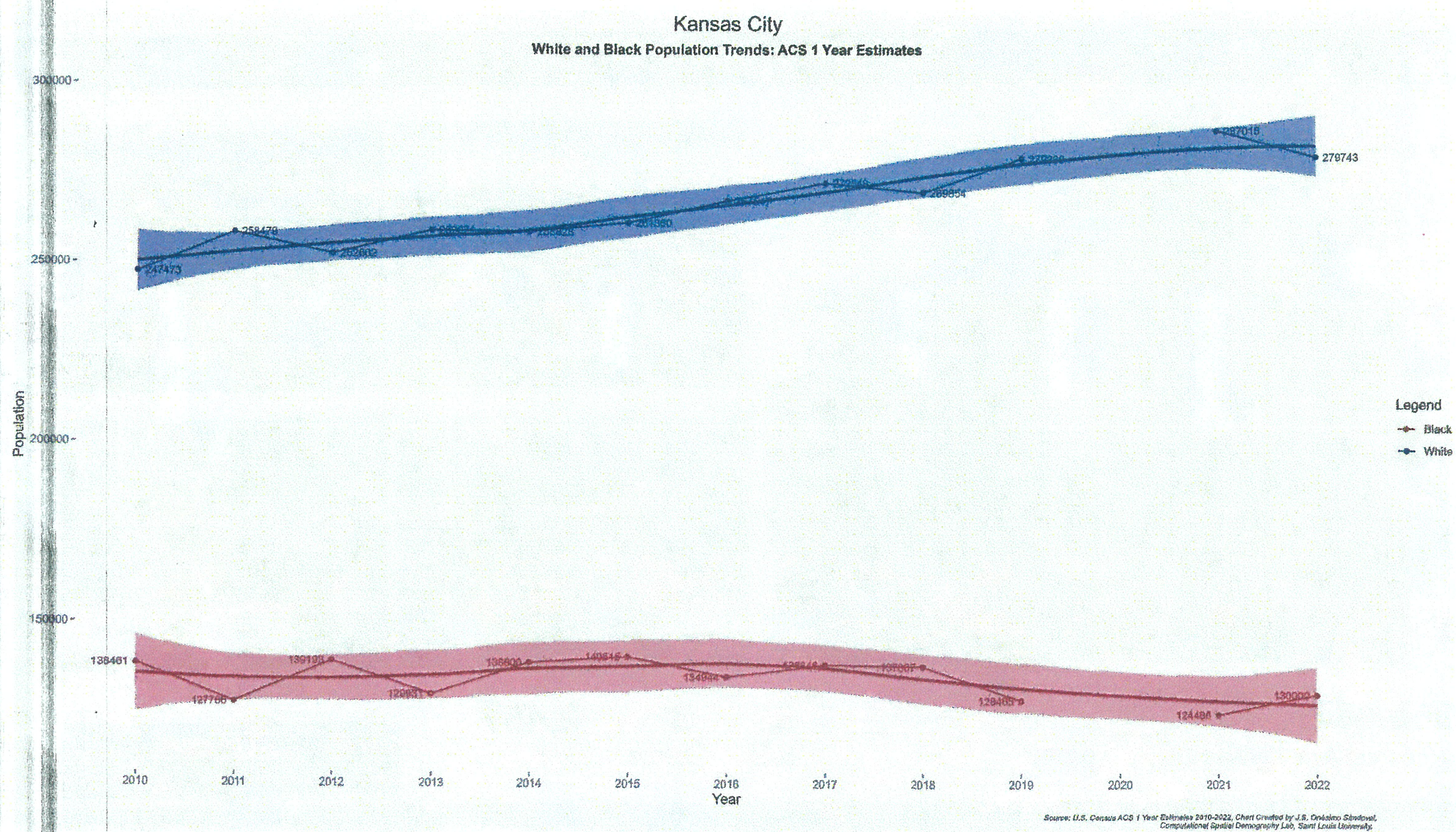


$968,487
2619 Forest Ave, Kansas City, MO 64108

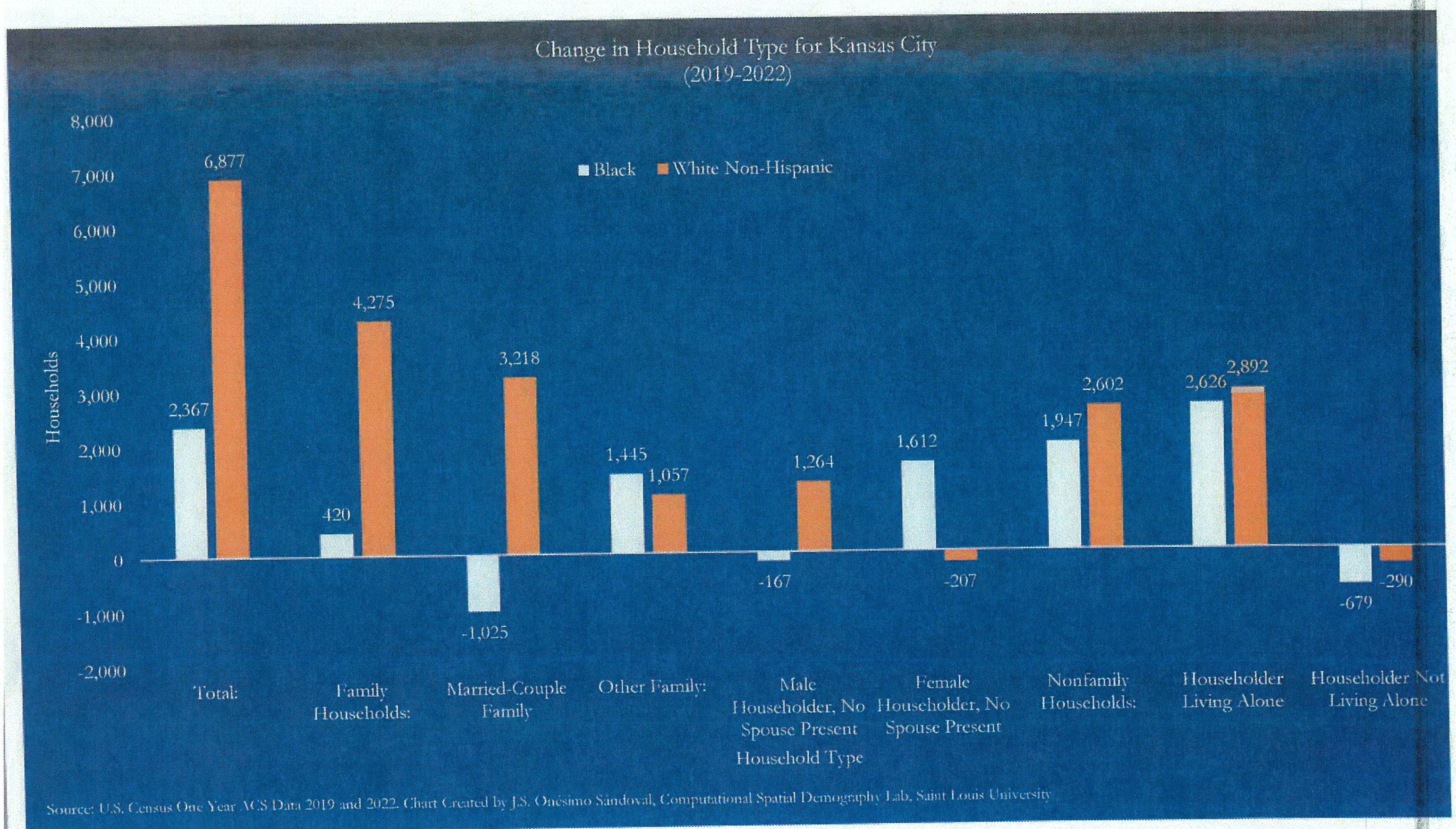
3 beds | **3** baths | **2,457** sqft

Request a tour
as early as today at 5:00 pm

Source: Zillow



Kansas City
White and Black Population Trends: ACS 1 Year Estimates
300000
250000
200000
150000
Population
247473
258479
252602
279743
138461
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Year
Legend
Black
White
Source: U.S. Census ACS 1 Year Estimates 2010-2022, Chart Created by J.S. Onésimo Sandoval,
Computational Spatial Demography Lab, Saint Louis University.

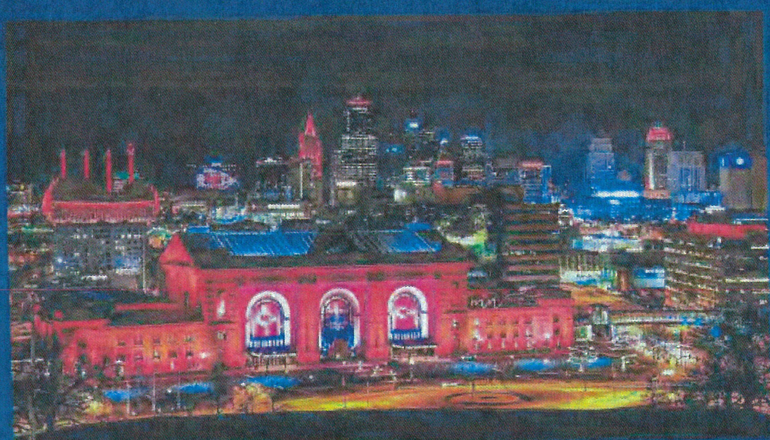


Change in Household Type for Kansas City
(2019-2022)
Black
White Non-Hispanic
Households
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
-1,000
-2,000
2,367
6,877
420
4,275
-1,025
3,218
1,445
1,057
-167
1,264
1,612
-207
1,947
2,602
2,626
2,892
-679
-290
Total:
Family Households:
Married-Couple Family
Other Family:
Male Householder, No Spouse Present
Female Householder, No Spouse Present
Nonfamily Households:
Householder Living Alone
Householder Not Living Alone
Household Type
Source: U.S. Census One Year ACS Data 2019 and 2022. Chart Created by J.S. Onésimo Sandoval, Computational Spatial Demography Lab, Saint Louis University

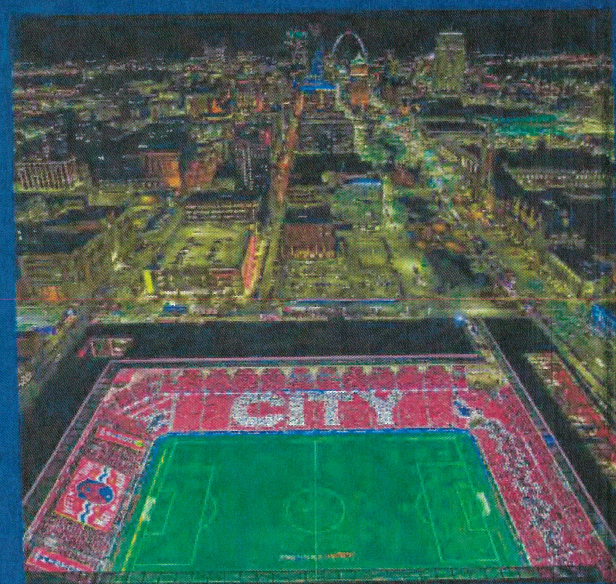
6. SUMMARY

Population and Households

The demographic transitions in both cities reflect complex, evolving patterns of population change, shedding light on the intricate interplay of social, economic, political, and geographic factors in both regions. Both cities represent broader national demographic processes occurring today across the U.S.



Source: KMBC



Source of the Image: Justin Barr
STLFromAbove

Thank you!!
Questions?

Ness Sándoval

ness.sandoval@slu.edu

SAINT LOUIS UNIVERSITY

EST. 1818

DEMOGRAPHY 4 DEMOCRACY

EMPOWERING TOMORROW'S DREAMERS WITH KNOWLEDGE TODAY

THE COMPUTATIONAL S... DEMOGRAPHY LAB

SAINT LOUIS UNIVERSITY

APPENDIX C

KANSAS CITY

MISSOURI HOUSE OF REPRESENTATIVES

MINUTE BOOK

BILL NUMBER:	
SPONSOR:	CHAIR: **Murphy**
COMMITTEE: **Special Interim Committee on the Earnings Tax**	
DATE OF INITIAL REFERRAL:	LOCATION: **Kansas City Metropolitan Bar Association, 2300 Main Street, Kansas City, MO 64108 - Suite 915**
DATE NOTICE GIVEN:	DATE HEARING HELD: **11/7/2023**

WITNESSES

NAME	ORGANIZATION	TESTIFYING PURPOSE	DATE
CATHY BENNETT	Greater Kansas City Chamber	Information Purposes	11/7/2023
CHRISSY GILLIS	Putnam County Assessor	Information Purposes	11/7/2023
DANNY E. ALLEN		Information Purposes	11/4/2023
DEREK L. MCCOLLUM	Kcpd	Information Purposes	11/7/2023
DR. DRED SCOTT	Civic Council Of Greater Kansas City	Information Purposes	11/7/2023
DR. RICHARD GIST	Kansas City Fire Dept.	Information Purposes	11/7/2023
J. EGGLESTON		Information Purposes	11/7/2023
PATRICK ISHMAEL	Show Me Institute	Information Purposes	11/7/2023
QUINTON LUCAS	City Of Kansas City	Information Purposes	11/7/2023

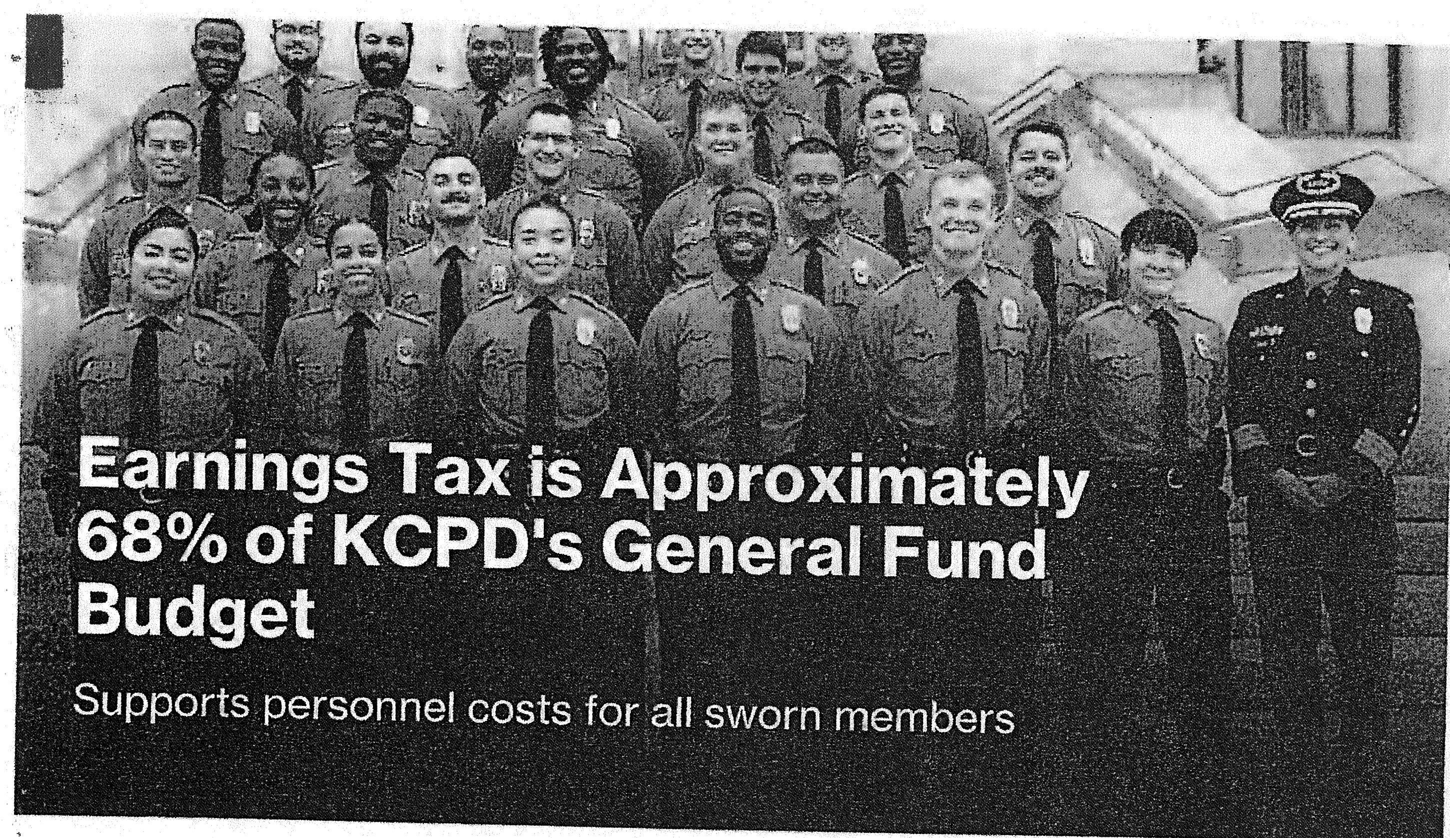
DATE FINAL COMMITTEE ACTION TAKEN-EXECUTIVE SESSION:	DATE NOTICE GIVEN-EXECUTIVE SESSION:

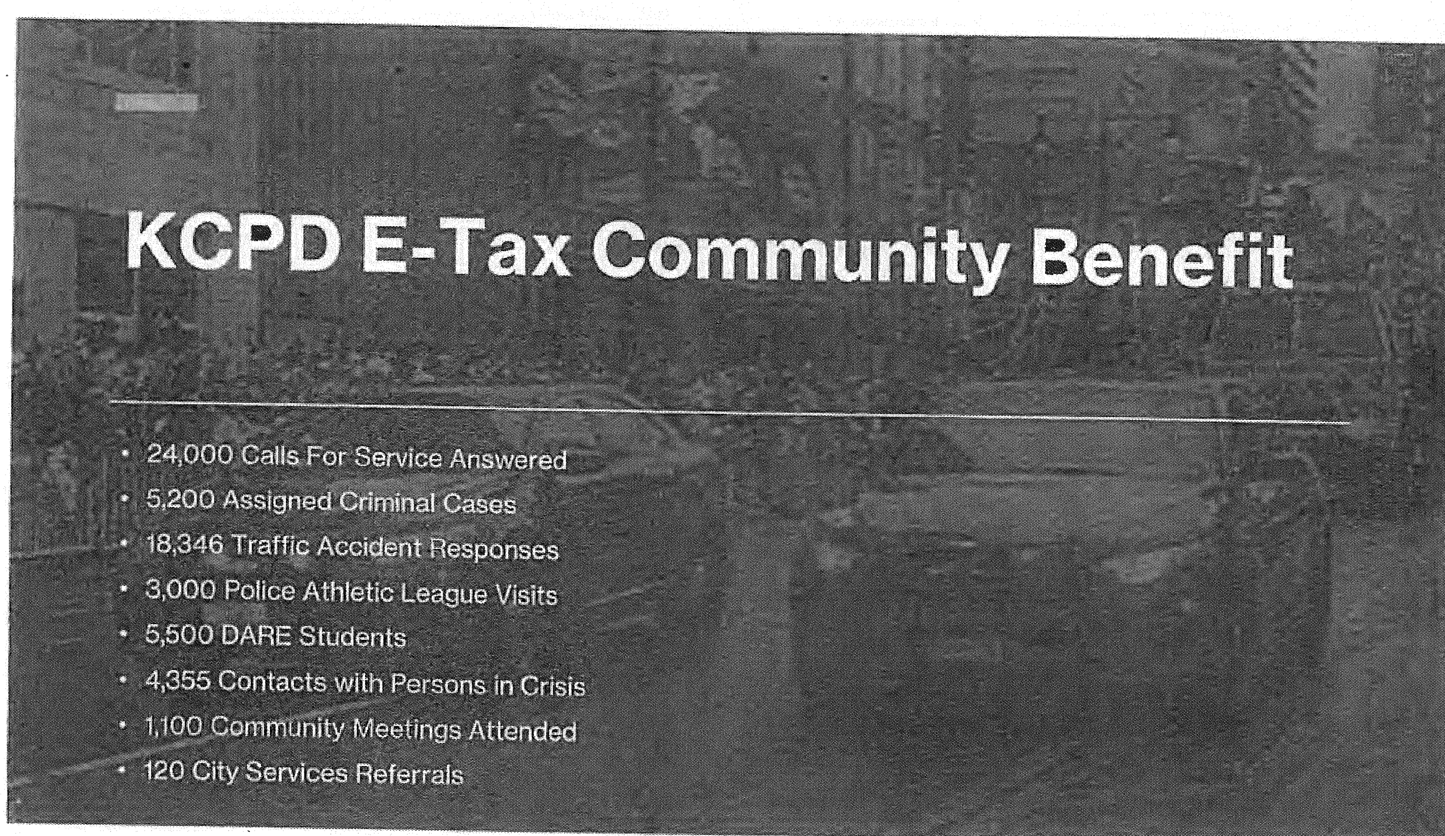
ACTIONS (Motions made and the disposition of each)

Hearing regarding Kansas City Earnings and Personal Property Taxes.

Earnings Tax and KCPD

Community Benefits


Earnings Tax is Approximately 68% of KCPD's General Fund Budget
Supports personnel costs for all sworn members


KCPD E-Tax Community Benefit
24,000 Calls For Service Answered
5,200 Assigned Criminal Cases
18,346 Traffic Accident Responses
3,000 Police Athletic League Visits
5,500 DARE Students
4,355 Contacts with Persons in Crisis
1,100 Community Meetings Attended
120 City Services Referrals

CITY OF KANSAS CITY
FIRE DEPARTMENT

KCFD OVERVIEW

KCFD is far more than a fire suppression agency. Like most metropolitan fire service organizations, we are a large and complex service enterprise providing a wide range of activities in response to the complex needs of a highly diverse community. Beyond the mission element that lends us our name, we are the City's sole provider of emergency medical services, a regional resource for highly specialized responses such as Technical Rescue and Hazardous Materials abatement, the hub of an integrated automatic aid system that integrates our resources with those of a growing number of adjoining Missouri communities, and a source of education, outreach, and preventive efforts to ensure that all who live, work, play, and visit Kansas City can remain as free as possible from impacts of man or nature that can threaten their lives, safety, and wellbeing. The Earnings Tax plays an indispensable role in supporting this critical and complex array of essential community services.

KCFD ACTIVITY

- > 300,000 calls received annually at our Communications Center
- 135,438 dispatched KCFD resources to address citizen needs
    - 1,190 working fires
    - 111, 839 emergency medical calls
    - 5,800 technical rescue incidents
    - > 20,000 outreach encounters
    - > 15,000 inspections
    - Community Paramedics now online

MORE THAN A KANSAS CITY RESOURCE

- 5,684 automatic aid encounters
- 1,336 mutual aid assists
- Constant stream of large special events (e.g., sports events, concerts, community celebrations) attended by persons from all across the region
- Out of area responses for specialized assistance (e.g., Joplin tornado, Clinton building collapse)

COMPLEX AND COSTLY TO MAINTAIN

- 38 facilities (including 34 fire stations)
- Extensive fleet requirements
  - 34 pumpers
  - 12 aerial units
  - 4 technical rescue units
  - 2 Hazardous Materials units
  - > 50 ambulances
  - > 120 light fleet vehicles (e.g., chiefs, inspectors, investigations, community medics, logistics, reserves, support)
- These also depend on other City departments for support
  - Finance
  - Human Resources
  - General Services
  - Law
  - City Planning
  - Neighborhoods

EARNINGS TAX CONTRIBUTION

- Overall budget $246.24 M
  - General Fund provides 78.9% of overall support (> 95% of emergency services)
  - Earnings Tax provides estimated 36.9% overall support (~ half of operations budget)
  - Two ¼% sales taxes help support capital; some support from Health Levy for indigent care
  - 82 % of expenditures support personnel
  - Also supported by EMS billings (10%), bonds (3%), grants (3%), and fees (3%)

SUMMARY

- The infrastructure of Kansas City regularly supports and sustains the activity, commerce, recreation, and wellbeing of all area residents and, on many occasions large and small, millions of others.
- KCFD is an essential part of that infrastructure, and depends upon that infrastructure for much of our work
- The Earnings Tax helps ensure that those who regularly utilize and benefit from the City infrastructure provide at least a small contribution, along with those who reside within our corporate limits